Austria	[illegible]	Indonesia	[illegible]	Oman	[illegible]
Bahrain	[illegible]	Iran	[illegible]	Philippines	[illegible]
Belgium	[illegible]	Israel	[illegible]	Portugal	[illegible]
Cyprus	[illegible]	Italy	[illegible]	Qatar	[illegible]
Denmark	[illegible]	Jordan	[illegible]	S.Arabia	[illegible]
Egypt	[illegible]	Kuwait	[illegible]	Singapore	[illegible]
Finland	[illegible]	Lebanon	[illegible]	Spain	[illegible]
France	[illegible]	Lux	[illegible]	Sweden	[illegible]
Germany	[illegible]	Malaysia	[illegible]	Switz	[illegible]
Greece	[illegible]	Morocco	[illegible]	Thailand	[illegible]
Hong Kong	[illegible]	Neth	[illegible]	Tunisia	[illegible]
Iceland	[illegible]	Nigeria	[illegible]	Turkey	[illegible]
India	[illegible]	Norway	[illegible]	UAE	[illegible]

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No.30,944 Tuesday September 12 1989 D 8523A

LEBANON
Redefinition of US vital interests
Page 19

World News

Norwegian election heads for stalemate

Norway appeared to be heading towards political stalemate according to early projections on the general election result. These suggested both the country's largest parties – Labour and the Conservatives – have suffered heavy losses with big gains for the right-wing Progress Party and far-left Socialists. Page 20

Kohl re-elected

West German Chancellor Helmut Kohl was re-elected chairman of his Christian Democratic party but with a record number of votes against him. Closing ranks, Page 2

Soviet miners union

Leaders of the July miners' strike in the Soviet Union met in Moscow to form a National Union of Strike Committees – the most serious move yet towards development of an independent union movement. Page 20

Yeltsin in US

Boris Yeltsin, the Soviet politician visiting the US, said President Mikhail Gorbachev had six months to a year to show progress in the Soviet Union. Page 6

Danube toll rises

The death toll in the Danube disaster rose to more than 150 following the collision between a Romanian passenger ship and Bulgarian tugboat.

Arafat in Egypt

Yassir Arafat, chairman of the Palestine Liberation Organisation, arrived in Cairo for talks with President Hosni Mubarak on PLO-Israeli differences. Page 4

Tamil killings

Nine members of a former Tamil rebel group, the Eelam People's Liberation Front, were killed in an ambush by a rival rebel group in Sri Lanka.

Namibian charges

A West German and two South Africans appeared in a Namibian court on charges connected with a grenade attack on a UN base in which a security guard was killed. Picture, Page 4

Japanese detention

Japan announced all Indochinese boat people classified as economic refugees will be detained, and deportations of Chinese refugees are likely. Page 4

New Guinea killing

The assassination of a politician on Papua New Guinea's Bougainville Island has highlighted security problems and undermined hopes for an early reopening of the Bougainville Copper mine. Page 4

Chancellor dies

Sir Christopher Chancellor, journalist and businessman, died aged 85. He played a key role in the development of Reuters news agency. Page 10

SLD back charter

The proposed European social charter to protect workers' rights received overwhelming backing at the UK Liberal and Social Democrats' conference at Brighton, southern England. Page 9

Vintage Champagne

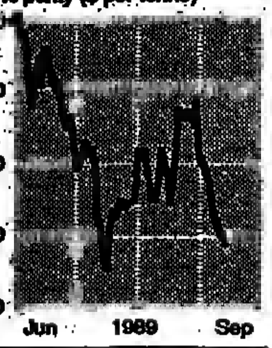
The vineyards of Champagne have started to harvest what promises to be one of the region's finest crops of grapes. Page 2

Business Summary

BNL inquiry lists groups involved in Iraqi trade

Investigators in Rome have identified a total of more than 20 separate British, US and Italian companies they believe were involved in trade with Iraq in militarily useful equipment and technology financed by the issue of more than $200m of export credits from the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL). Page 20

ALUMINIUM: International Primary Aluminium Institute figures showed a rise of 107,000 tonnes in unwrought aluminium stocks in the non-Communist world to 3.305m tonnes for July – the highest level since May 1987. Page 38



LIN Broadcasting, US cellular telephone and TV company, announced merger agreement with BellSouth, US telephone operator. Page 21

DAIMLER-BENZ, West German motor and aerospace group, accepted Government conditions for its takeover of Messerschmitt-Bölkow-Blohm, the aerospace company. Page 21, Results, Page 23

MEGGITT, UK specialist engineering group, made a $175m bid for United Scientific Holdings, recent loss-maker in the arms manufacturing sector. Page 21

THE CITY, London's financial centre, set up a voluntary queuing system for new issues of shares and other sterling securities. Page 9

DREXEL Burnham Lambert, US investment house, pleaded guilty to six felony counts of fraud. Page 6

TOSHIBA, Japanese electrical group at the centre of an trade row with the US two years ago, is delaying exports of its new personal computer. Page 20

LLOYDS Bank, UK clearer, lost an industrial tribunal case which decided female clerical workers are entitled to equal pay with higher paid male messengers. Page 9

ALCATEL, French telecommunications group, has had contract with Soviet Union delayed by Western restrictions on technology transfer. Page 7

US COMMERCE Secretary Robert Mosbacher praised South Korea's performance in opening its markets and said the two countries shared similar views. Page 20

WORLD Bank will make available $1.3bn in loans to developing countries, specifically to help them combat pollution. Page 6

PETROLEOS Mexicanos (Pemex), Mexican state oil company, has sold $257m worth of promissory notes to ease the strain of Government fiscal demands. Page 22

HONG KONG'S Securities and Futures Commission, the colony's financial markets watchdog, abolished all but one of a series of controls imposed on capital market funds after the 1987 crash. Page 26

US plans new proposals governing rules of origin to the General Agreement on Tariffs and Trade (Gatt) trade liberalisation negotiations in Geneva. Page 7

E Berlin says refugees' release 'grave provocation' ● Exodus biggest since Wall built

Germanys at loggerheads

By **David Marsh** in Bonn and **Judy Dempsey** in Hegyeshalom, on the Austro-Hungarian border

A BITTER dispute broke out last night between the governments of East and West Germany as more than 5,000 East German refugees streamed into Bavaria in one of the most dramatic days in East-West German relations since the two states were formed in 1949.

The biggest exodus from East Germany since that before the Berlin Wall was built in 1961 was hailed by a jubilant West German Government as demonstrating the underlying unity of the German nation.

However, East Germany, deeply unsettled by Sunday's decision by Hungary to allow East German emigrés' in temporary camps in Budapest to leave freely for the West, called the action a "grave provocation."

The political uncertainty in the East German capital was yesterday further heightened by reports that Mr Erich Honecker, the 77-year-old East German leader, is still seriously ill after an operation. East Berlin is refusing to make a statement on his condition.

On the refugees, the official East German news agency last night claimed that the Federal Republic had "bought out" the refugees from Hungary and it criticised Budapest's role in what it called an "unprecedented event in international relations."

However, hopes of economic support from West Germany to back its reform process was clearly a factor in its decision to open the flood-gates for the fugitives from Communism, and thus incur the wrath of East Germany.

Welcoming leaflets from the Bonn Interior Ministry were distributed to the emigrés as they headed for five special relief camps set up in southern Bavarian towns.

Hundreds of Red Cross workers prepared to cope with the influx as speculation mounted that tens of thousands of East Germans holidaying in Hungary would join the flood.

If tha cross-border treck swells further in coming days, the exodus could match the flood of 47,000 East Germans from East Berlin in August 1961 which sparked off the building of the Wall.

Yesterday, the trek went on unabated along the Austro-Hungarian border. In Hegyeshalom a steady cavalcade of two-stroke engined Trabants rattled across to the West, followed by a procession of buses provided by the Austrian authorities. Others crossed on foot, some on bicycle.

"We are free," many shouted as Hungarian border guards waved them through.

At Nickelsdorf, on the Austrian side, some rushed to buy champagne. The popping of corks summoned an outburst of emotion. East German men and women embraced in celebration of an historic moment.

And these remarkable scenes are likely to continue for the next twenty-four hours when it is estimated that up to 20,000 of the 60,000 East Germans remaining in Hungary could take advantage of the open border and leave to set up a new life in the West.

Over 6,000 of them had been waiting for more than a three weeks in Hungarian camps provided by the International Red Cross. The Hungarian authorities had refused to return them to East Berlin, waiting for East Berlin and Bonn to reach agreement on an emigration policy.

Mr Gyula Horn, the Hungarian Foreign Minister, yesterday reiterated that his country had been acutely aware of its obligations to a socialist ally: the authorities in Budapest had given East Garman officials one week to condnct a campaign among East Germans in Hungary to persuade them to return home. "But instead, more East Germans had continued to arrive," he said.

More remarkable is that they have been given safe passage to leave by Hungary, a Warsaw Pact member. Hungary's decision to let the East Germans travel to the west means that the Budapest government has suspended temporarily a twenty-year-old bi-lateral agreement with East Germany, committing both countries to return citizens who try to cross to the West without valid documents.

Young East Germans, some

Continued on Page 20

Hungary opens more than its borders; Bonn coalition closes ranks, Page 2

Jubilant East Germans display their new West German passports as they cross the border into West Germany near Passan yesterday

Jaguar to introduce cheaper version of XJ6 in US

By **Kevin Done**, Motor Industry Correspondent, in Frankfurt

JAGUAR, the British maker of luxury cars, is to introduce a cheaper version of its XJ6 saloon in the US as part of a package to expand its range and cnt prices to bolster flagging sales and connter Japanese competition.

The group will tomorrow disclose its first half results, which are expected to show pre-tax profits sharply down to around £6m-£8m ($9.4m-$12.5m) from £22.5m in the first half of 1988 under the impact of the weaker US dollar and lower US sales.

Its latest move in the all-important US market is an attempt to narrow the gap between its prices and those charged for the domestic top-of-range Cadillac (General Motors) and Lincoln (Ford) luxury cars.

The company is also seeking to head off the new Japanese challenge in the world luxury car market, as Toyota and Nissan, the leading Japanese car makers, launch their much-heralded Lexus and Infiniti ranges in the US this antumn.

Jaguar's US marketing initiative coincides with the introdnction of a more powerful 4.0 litre version of its AJ6 engine in its XJ6 saloon range to replace the present 3.6 litre engine. The new power unit is to be unveiled tomorrow at the Frankfurt motor show.

In the 1989 model year, which has just ended, Jaguar has offered two versions of its XJ6 saloon in the US priced at $44,000 and $48,000.

For the 1990 model year it is launching this month a lower-specification version of the XJ6 at $39,700. The previous $44,000 XJ6 is to be trimmed to $43,000, the $48,000 version will continue, and a low-volume, special trim version will be launched at $53,000. Its most expensive model in the US remains the XJS convertible at $57,000.

Toyota has priced its top-of-the-range 4.0 litre V8 Lexus LS400 at $35,000-$43,300, while Nissan has set the base price for its 4.5 litre V8 Infiniti Q45 at $38,000.

Jaguar's US sales have been weaker than expected this year in the declining US car market, although it has performed better than several of its European rivals. It had

Continued on Page 20

Land Rover's hopes for new Discovery, Page 24

Ferranti shares suspended as group reviews profits

By **Terry Dodsworth** and **Hugo Dixon** in London

THE FUTURE of the UK defence electronics industry was plunged into doubt yesterday when Ferranti International, the second largest company in the sector, asked for a suspension in the London stock market quotation of its shares and said it was reviewing its profits.

The Ferranti announcement surprised the stock market, which has already had to absorb a series of unexpected shocks from the company in the last year. It calls into question whether Ferranti, which has been the subject of intense takeover speculation, will be able to maintain its independence and whether the present management can remain in control.

The statement will also have come as an unpleasant surprise to tha Ministry of Defence, which had been looking to Ferranti as a strong rival in competition with the large new group formed by the takeover of Plessey by the General Electric Company.

Ferranti's shares were suspended for an indefinite period at 73½p, against a high this year of 113½p. The company indicated that it was likely to face a substantial loss on overseas contracts being managed by its ISC Technologies subsidiary.

Ferranti refused to give details of the contracts, beyond saying they were of a "material size." In a brief statement it said it was reviewing the "carrying value" of these contracts – implying that the company may have not have been paid for deliveries on which it has already taken profits.

The company has now launched an intensive investigation of the troubled contracts. The directors plan to ask shareholders at today's annual meeting to adjourn until the extent of the problems are clear.

ISC Technologies is part of International Signal and Control, a secretive US-based defence group taken over by Ferranti almost two years ago. The bulk of ISC's business has traditionally been in supplying

Continued on Page 20

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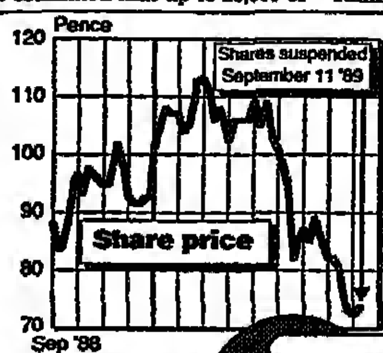
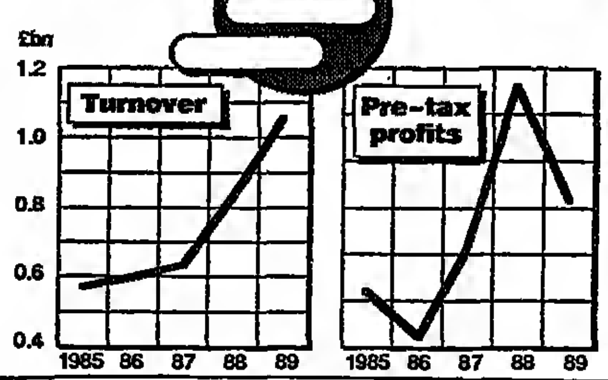


SIR DEREK ALUN-JONES CHAIRMAN



Ciba-Geigy, Rhône-Poulenc in Canadian takeover battle

By **Peter Marsh** in London and **John Wicks** in Zurich

CIBA-GEIGY, the Swiss chemicals and drugs company, yesterday moved to take control via a US joint venture of Connaught BioSciences, a leading Canadian vaccines maker, in e move which could lead to a new shake-up in the world pharmaceutical industry.

The Swiss company, the world's fifth biggest medicines group, has offered C$764m ($652m) to buy Toronto-based Connaught, which is among the top three North American vaccines producers.

The deal would be effected through JV Vax, a US joint venture between the Swiss company and Chiron, a small Californian biotechnology group with which Ciba-Geigy has a number of collaborative research programmes.

However, Connaught is already the target of a rival proposal from Institut Mérieux, a vaccines maker controlled by Rhône-Poulenc, the French state-owned chemicals and drugs group. Institut Mérieux has proposed merging with Connaught in a share swap.

Connaught shareholders are due to vote on this deal on September 28, and Ciba-Geigy said its offer would be conditional on them rejecting the French bid.

A takeover of Connaught would continue the recent series of drug-industry mergers involving some of the biggest companies in the business.

In the past few months, the UK'a Beecham has joined forces with SmithKline Beckman of the US while Squibb and Bristol-Myers, both of the US, have linked. A further merger has been between two other US companies, Merrell Dow and Marion.

The Swiss/American offer values Connaught at C$30 a share, several dollars higher than the value of the shares in recent weeks on the Toronto stock market. On Friday the shares closed at just over C$25 but yesterday in early trading quickly moved up to around C$30.

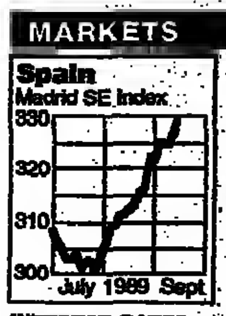
Under the terms of the proposed deal, Ciba-Geigy would provide most of the cash for the Connaught acquisition, but over several years Chiron would be able to provide share capital in the new venture.

Yesterday Connaught said it could not comment on the Ciba-Geigy proposal as it had not received all the details. Last year, the Canadian company had sales of C$224m, of which just over half was accounted for by vaccines. The company also sells other medical products and services.

Ciba-Geigy said a merger involving its US joint venture and Connaught would create "a beautiful marriage". It said the Canadian company, which specialises in vaccines for influenza, diptheria and whooping cough, would provide development and marketing skills which would complement the research ideas of Ciba-Geigy and Chiron.

Ciba-Geigy and Chiron are working on a number of new vaccines using new techniques in genetic engineering.

MARKETS



INTEREST RATES
US lunchtime
Federal Funds 8$\frac{15}{16}$% (8$\frac{15}{16}$)
3-mth Treasury Bills: yield: 7.93% (8)
Long Bond: 100$\frac{5}{8}$ (100$\frac{1}{2}$)
yield: 8.06% (8.07)
London
3-month interbank: close 13¾% (13$\frac{25}{32}$)

STERLING
New York closing
$1.5455 (1.525)
London:
$1.5455 (1.5485)
DM3.0700 (3.0650)
FFr10.3425 (10.3275)
SFr2.6500 (2.6450)
Y227.0 (226.50)

DOLLAR
New York closing
DM1.98705 (1.9915)
FFr6.6935 (6.7085)
SFr1.7140 (1.715)
Y146.73 (146.92)
London:
DM1.9870 (1.9800)
FFr6.6925 (6.6700)
SFr1.7150 (1.7085)
Y146.80 (146.25)

GOLD
New York latest
Comex Dec
$364.8 (365.0)

STOCK INDICES
New York closing
Dow Jones Ind. Av.
2,704.41 (-6.13)
S&P Comp
347.65 (348.76)
London:
FT-SE 100
2,400.6 (-23.3)
World:
149.59 (Fri)
Tokyo
Nikkei Ave
34,113.68 (-2.15)
Frankfurt
Commerzbank
2,036.0 (-16.1)

OIL
Brent 15-day (Argus)
$17.92 (+0.12) (Oct)
West Tex Crude
$19.815 (+0.19) (Oct)

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Algeria's reform-threatened FLN returns to the subversive

Algerian President Chadli Bendjedid's recent diemissal of Prime Minister Kasdi Merbah comes as high inflation and foodstuff ahortages appear to be engineered by the ruling Front de Libération National party
Page 4

Hungary opens more than just its borders

Judy Dempsey examines the foreign policy meaning of clearing the way to the West

HUNGARY'S decision to allow thousands of East Germans to pass to the West through unguarded borders with Austria marks the end of an era with its East bloc neighbours and the beginning of one with the West.

The decision was not taken lightly. As Mr Gyula Horn, the recently-appointed Hungarian Foreign Minister, said on Sunday: "There exists between the two countries (Hungary and East Germany), such a many-faceted, such a many-layered, co-operation, in which a very serious role is played by interests much greater than this affair. And I am certain that it is these interests which will be the determinants in the coming period."

This was interpreted to mean that not only had East-West relations improved markedly over the past two years, but that it was time that relations between the countries of Eastern Europe adapted to these changes.

By allowing at least 6,200 East Germans to leave the country – the figure could reach 60,000 – the Hungarian authorities have taken a huge risk. Many East Germans remaining in East Germany will try to take advantage of the "temporary suspension" of a bilateral agreement signed in 1969 between Budapest and East Berlin. This gave Hungary and East Germany the right to return to their homeland those citizens who tried to use either country as a means to escape to the West.

A young East German at a Hungarian camp yesterday holds up his passport to the West

It is not only East Germans who will try to cross over the next few days. Hungarian officials said they expected Romanians, Soviet citizens, Bulgarians and Czechoslovaks to do the same. Officials in Budapest worry continually that Hungary could become what they termed "a transit country" for East Europeans.

This is something the Hungarian authorities were painfully aware of earlier this year when, in a remarkable move, they became the first East European country to sign the United Nations Convention on Refugees. This was partly in response to the thousands of Romanian citizens, many ethnic Hungarian, who were seeking refuge in Hungary.

The effect of the signing of the convention was to tempt East Germans to seek refugee status in another socialist country.

The signing of the convention and the symbolic dismantling last May of the barbed wire fence with neutral Austria were part of a careful shift in foreign policy begun in the mid-1980s.

This shift manifested itself in a number of ways. Hungary, despite its close links with the Arab countries, began to forge much closer relations with Israel. With the exception of Romania, all the East European countries severed diplomatic relations with Israel after the 1967 Arab-Israeli War.

It was also one of the first to re-open party-to-party relations with China, broken since the early 1960s. Then earlier this year, Hungary opened up a representative office in South Korea, in spite of loud protestations by North Korea.

The Soviet Union could have reined in Hungary if it had wished to. But with the green light from Moscow – which was anxious to see what kind of response Hungary's endeavours received both from East and West – the authorities in Budapest pressed ahead.

The result is that along with Poland, Hungary is becoming increasingly isolated among its socialist neighbours. It is a position which Hungarian foreign ministry officials do not boast about.

"One day, all of our allies will be changing. The East-West climate demands it. The conventional arms talks in Vienna seem to dictate this too. We cannot ignore these changes," a senior foreign policy expert said recently in an interview.

The gap between Budapest and the West is narrowing. "And is it not time that the West now responded to what is happening in some countries in Eastern Europe?" Hungarian officials ask, not without a feeling of exasperation that the West had little idea how to respond to the changes taking place across the Danube.

Honecker 'has handed over party leadership'

By Leslie Colitt in East Berlin

THERE were rumours in East Berlin yesterday that Mr Erich Honecker, the ailing, 77-year-old East German leader, had decided to hand over the Party leadership to Mr Günter Mittag, the ruling Politburo's economic chief. Mr Mittag, who is 63, is himself in poor health.

Mr Honecker is recuperating after a gall bladder operation last month and daily messages signed by him continue to appear in the Party newspaper Neues Deutschland. Sharp criticism of the Party's orthodox rule was voiced by the leadership of the Federation of Evangelical (Protestant) Churches in East Germany under Bishop Werner Leich.

In a letter to Mr Honecker, the Churchmen said they were "troubled" by the number of East Germans seeking to leave the country. An essential cause was the refusal to allow "long overdue changes" in society. They called for an "open and realistic" discussion about the reasons for discontent in the population.

The mass media should report realistically and not in contradiction to what citizens experienced and saw "day by day." Citizens should be allowed to travel abroad even if they did not have relatives there. Former East Germans who emigrated were to be allowed to officially return.

The Church also called on citizens not to leave the country: "Each person who goes, leaves behind others more lonely." Previous Church calls for reforms were left unanswered by the leadership which cancelled recent scheduled talks with Church leaders.

But Mr Hermann Axen, a member of the Politburo, said in a speech published in Neues Deutschland yesterday that East Germany more than ever was a "bulwark of socialism and peace in the heart of Europe." Every citizen was needed and had the chance to develop as he wished. "The citizens of the GDR find their national identity in their socialist Fatherland, in the socialist nation developing in the GDR," he said. Mr Wolfgang Vogel, the East German lawyer responsible for humanitarian negotiations with the West, was scheduled to go to Prague today for a meeting with the nearly 400 East Germans who have been inside the West German Embassy there for weeks. He will seek to convince them to return home in much the same way that he was able to get 117 East Germans to leave the West German diplomatic mission in East Berlin last Friday.

They were given a pledge of legal assistance for their applications to leave East Germany.

Meanwhile a stream of East Germans made their way into Czechoslovakia by road and rail yesterday, seeking to illegally cross the Czechoslovak frontier into Hungary, which threw open its borders to the West for East German citizens.

East Germans do not need visas for travel to Czechoslovakia, but police exit permits are required for visits to Hungary. The GDR Travel Bureau said trips to Hungary could be booked and aircraft and trains bound for Budapest were filled with East German "holiday-makers." An East German Foreign Ministry official said he could not say whether the government planned curbs on travel to Hungary.

The East German news agency ADN earlier blasted Hungary for "violating international agreements" and allowing East Germans to cross over into Austria "under cover of darkness." An "organised slave trade" was taking place under the guise of humanitarian considerations ADN said. It was deplorable that Hungarian representatives had been "induced" to support this action.

Bonn coalition closes ranks over refugee issue

By David Marsh in Bremen

RELIEF in West Germany over the release of thousands of East German fugitives has given a psychological boost to Chancellor Helmut Kohl and allowed the ruling centre-right coalition to close ranks in unusual – and probably temporary – harmony.

In an aggressively optimistic speech at the opening of his Christian Democratic Union's annual conference in Bremen yesterday, Mr Kohl gave a fulsome welcome to the refugees in what he called "the free part of our Fatherland."

Hungary's step on Sunday to allow the departure of the East German emigres, the product of careful negotiation with Bonn over the past few weeks, has eased pressure on Mr Kohl and helped patch up divisions in the party.

Discussions at the three-day conference in Bremen are certain to focus on the row over Mr Kohl's decision last month to sack Mr Heiner Geissler, the CDU's long-serving general secretary. However, Mr Kohl, in a peace gesture yesterday, paid tribute to Mr Geissler's "tireless" work for the party. The Chancellor said he supported Mr Geissler's bid at the conference to win election as one of the CDU's deputy chairmen.

The Chancellor hit out pugnaciously at radical policies on right and left and called for a return to basic conservative virtues as guiding precepts for the campaign leading up to the general election in December 1990. He also urged special attention for policies to protect the environment.

Mr Kohl used his speech to attack the opposition Social Democratic Party's policies towards East Germany, in particular the support by some SPD leaders for recognising separate East German citizenship. "Freedom and unity for all Germans" had now come nearer as a result of the commitment of Soviet leader Mr Mikhail Gorbachev to self-determination in eastern Europe, Mr Kohl claimed.

Mr Kohl told the part congress that it faced a tough battle to remain in power in elections next year. "It will require hard work if the voters are to renew their confidence in us in 1990," he said. "But I am sure we can do it if we recall our own strength and courage and fall back on the proven values of our party."

The Chancellor was due to face a key test last night, when delegates were to elect the party executive. Party sources said there was no doubt that Mr Kohl would be confirmed as leader, but the number of votes against him would be a barometer of his popularity after Mr Geissler's dismissal.

Vintage Champagne year in prospect

By George Graham in Epernay

THE vineyards of Champagne have started to harvest what promises to be one of the finest crops of grapes the region has seen in many years.

Growers say that the vineyards are in perfect health after this summer's unusually good weather, and 1989 is almost certain to be declared a vintage year for champagne.

"I think we can certainly affirm that it will be a vintage year. 1976 was much dryer, it could be closer to 1945 or 1960," said Mr Yves Benard, chairman of Moet et Chandon, the largest champagne group, with the Moet, Mercier and Dom Ruinart brands.

"It will be a fine crop, above average in quantity but exceptional in quality."

But European countries, with the UK in the lead, are drinking more and more champagne, and this year's crop, which is thought likely to produce around 240m bottles, will barely replenish the stocks of the champagne producers.

Champagne houses already raised their prices in July, but the grape prices for the 1989 crop are climbing even more steeply.

Growers and champagne producers agreed on Friday on a new price of FFr26.78 (£2.60) per kilogram of grapes, up 13 per cent from last year.

"Do not ask me if I am happy. A buyer does not jump for joy if the price of his main raw material rises by 13 per cent," commented one producer.

Negotiations on a new six-year contract between growers and producers are due to open as soon as the harvest is over, and some observers in Champagne fear that it will prove impossible to reach agreement.

The contract obliges growers to supply a certain quantity of grapes to the champagne houses, though allowing them to keep a proportion to make into champagne themselves. It also governs grape prices, indexing them partly on the average sale price of champagne in the previous year.

"To maintain the prosperity of all, both sides must make an effort. The growers must accept an obligation to sell grapes to the producers, but the producers must also accept that the growth of champagne sales must slow down," Mr Benard said yesterday.

One possibility for expanding champagne production would be an extension of the area authorised for vineyards under a 1927 law, which is now almost completely planted with vines. Some zones could easily be added to the existing area without lowering the quality of the grapes produced, but there is concern about to large an extension and about property speculation.

Mr Benard sought to allay the fears of "champagne rationing" which have swept some European countries.

"There is currently an imbalance between our sales in France and our exports, and we should keep steady or reduce our sales in France in order to meet export demand. That means that in the medium term champagne will have to become more expensive in France."

FINANCIAL TIMES

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BNL works round clock to contain crisis

Alan Friedman reports on a team picking up the pieces after an Italian scandal

IT WAS around midnight on the evening of Friday, August 4, when Mr Nerio Nesi, then chairman of Banca Nazionale del Lavoro (BNL) received a telephone call from Mr Carlo Azeglio Ciampi, Governor of the Bank of Italy. Mr Nesi and Mr Giacomo Pedde, then BNL's director-general, were informed that something was seriously wrong at the bank's Atlanta, Georgia, branch.

According to a confidential reconstruction of the evolution of BNL's scandal concerning more than $1.7bn of unauthorised Iraqi export loans, which was presented last week to the 23 members of BNL's board of directors, Mr Nesi none the less set off next day for his annual visit to BNL branches in southern Italy, only to be recalled to Rome a couple of days later by Mr Ciampi.

Mr Pedde, who resigned last Thursday along with Mr Nesi, did not spend any time in Rome at all – complaining to friends that he was tired and feeling unwell, he left promptly for a month's holiday in his native Sardinia.

On the afternoon of Saturday, August 5, the senior deputy general manager of BNL was on holiday on the Costa Brava with friends. Then the telephone rang. Mr Pier Domenico Gallo was told by BNL's Rome headquarters to catch the next aircraft back to Italy. Like Mr Nesi and Mr Pedde he too, was told that something was seriously wrong.

The 50-year-old Mr Gallo walked into the bank's Via Veneto offices on the Sunday morning and has hardly been out since, save for a few hours of sleep each night and a two-day mission to Baghdad. Mr Gallo, since the start of the scandal, has been the bank's top crisis manager, co-ordinating the work of both top executives and a 12-man round-the-clock task force that operates in three daily shifts.

Mr Gallo was yesterday unavailable for comment, but colleagues say that from early August the extrovert banker moved quickly to contain the crisis in financial terms, only to discover weeks later that British, American and Italian companies were involved in trade with Iraq in militarily useful equipment and technology.

Mr Gallo is a man who has had more than a normal dose of crisis management in his career: between 1982 and 1987 he was successful, as chief executive of Nnovo Banco Ambrosiano in Milan, in turning round the troubled bank following its collapse in August 1982.

Among investigators' discoveries has been that the Atlanta branch signed literally dozens of fresh letters of credit every day

BNL's first actions during the week of August 7 were to transfer more than $2bn of reserves to New York from branches around the world and to try to contact the central bank of Iraq. Telephone contact with Iraqi central bank officials proved impossible and so, while Mr Nesi was briefing government ministers in Rome, BNL on August 10 hired a private jet and dispatched Mr Salvatore Paolucci, a BNL vice-president, to Baghdad without an appointment.

The Iraqi central bank officials who received Mr Paolucci told him the same thing that Iraq has been repeating ever since – that it will continue to honour debt servicing on the $1.02bn of direct loans from Atlanta to Baghdad, but that Iraq expects BNL to make good on a further $920m of credit lines that were promised and not yet disbursed. Mr Gallo made a 48-hour visit to Baghdad at the end of August, to hold a similar conversation.

Meanwhile, in Rome, Mr Gallo assembled a dozen hand-picked BNL executives and created a 24-hour task-force that has been working to trace the 2,500 separate letters of credit issued by Atlanta in favour of Baghdad for US and European companies exporting to Baghdad. BNL also acted immediately to block any further payments from the US to Baghdad.

Mr Davide Croff, a former Fiat executive who serves as BNL's finance director, was sent to New York in order to reassure correspondent banks that BNL's interbank lines were secure. Some small US banks have been calling back interbank deposits, but it is believed that for the most part BNL is not facing any serious problems in US money markets.

Mr Umberto D'Addosio, another BNL deputy general manager in charge of administration, was sent in August to Atlanta along with a support staff of 25 aides. From Georgia he spent August passing on FBI leads to Rome. He and Mr Gallo also ordered the sacking of Mr Chris Drogoul, the Atlanta branch manager who arranged the Iraqi credits and who is under investigation by US and Italian judicial authorities.

BNL has meanwhile suspended without pay Mr Paul von Wedel, Mr Drogoul's deputy, and has sacked five other Atlanta bank employees. All in all, it is believed that three-quarters of BNL's Atlanta staff of 19 people were involved in the handing out of $1.7bn of unauthorised loans.

Among the discoveries made by US and Italian investigators in recent days have been that in the months of June and July BNL's Atlanta branch had signed literally dozens of fresh letters of credits each day. On August 4, when the Italian central bank first learned from the Federal Reserve and FBI of the Atlanta scandal, the BNL branch was apparently preparing to issue a further $300m to $400m of Iraqi credits.

Mr Gallo, Mr Croff and Mr D'Addosio and the BNL task force are continuing to process data and track the Iraqi money trail. Mr Paolo Savona, the new director-general who started work at BNL yesterday, was meanwhile busy seeking his first briefing and reassuring BNL's morale-stricken employees that "this bank is clean".

TDG denies connection with Iraqi government

By Richard Donkin

TECHNOLOGY and Development Group, the London trading company at the centre of an Iraqi-owned components group in the UK, named in the BNL affair, said yesterday it was a private company which has no connections with the Iraqi Government.

Mr Jon Hana, a director of TDG, confirmed from the company's London office today that it was a subsidiary of the Al-Arabi Trading Company of Baghdad. He refused to say who Al-Arabi's shareholders were.

He also refused to talk about TDG's role in the purchase of a former Lear Fan aircraft factory in Northern Ireland. The company has a half share with the Space Research Corporation of Canada in a company called Canira which had an application for grant aid turned down by the Northern Ireland Development Board.

The board was acting on advice from the Foreign Office which has been worried about the potential of some British companies to export material or technology useful to the Iraqis in their missile programmes.

The British Government has been convinced since a meeting between Mr William Waldegrave, the Foreign Office junior minister and diplomats at the Iraqi Embassy in London earlier in the year, that Iraq is involved with Argentina in the Condor II missile programme to develop a new generation of land-based missile.

The Government is particularly concerned at any possible potential for some British companies to assist in a programme which could ultimately threaten its hold on the Falkland Islands.

Matrix-Churchill, a Coventry-based machine tool manufacturer, owned by the Al-Arabi Trading Company through TDG and TMG Engineering, both UK-registered companies, has assured the Department of Trade that it has no involvement in supplying components for missile manufacture. It says its equipment in Iraq is being put to non-military uses.

Leader of party in Solidarity coalition resigns

By Christopher Bobinski in Warsaw

MR Roman Malinowski, the head of Poland's Peasant Party (ZSL) who last month opened the way to the formation of Eastern Europe's first non-communist-led government when he abandoned the Communist Party and made common cause with Solidarity, resigned yesterday on the eve of a vote on the new cabinet.

His resignation is not expected to affect the composition of the Solidarity-led government, though it does reflect a struggle between the Peasants Party and Solidarity over the sharing out of cabinet posts. Mr Malinowski had been due to retire soon at the end of a second term in office.

The government which has been put together over the past two weeks by Mr Tadeusz Mazowiecki, a Solidarity leader is to contain ten Solidarity members, four Peasant Party ministers, four communists and three members of the small Democratic Party (SD).

Mr Malinowski's resignation came after Mr Mazowiecki refused to accede to demands by the ZSL national leadership as well as its parliamentary group that he ask Mr Kazimierz Olesiak, the Agriculture Minister and a ZSL member to stay at his post.

Instead Mr Mazowiecki has handed the farming ministry over to Professor Czeslaw Janicki, a ZSL deputy from Poznan who was supported by Solidarity in last June's elections in the hope that the appointment would mollify Solidarity 's farming wing Rural Solidarity.

Rural Solidarity has been demanding that the post go to one of its members and has protested directly against the appointment of Mr Olesiak. Mr Malinowski resigned yesterday as a direct result of his failure to secure the job for Mr Olesiak.

Reformers inside ZSL hope the alliance with Solidarity will help the party win credibility and they also hope to represent the interests of farmers.

Last Friday Mr Janicki failed to gain the approval of parliament's farming committee and his candidacy may meet with renewed opposition in today's vote. Mr Malinowski is expected to be replaced by Mr Ludwik Dominiczak, a member of the present ZSL leadership.

Scandal deepens Iraqi-Italian arms cash row

THE secret financing scandal swirling around Banca Nazionale del Lavoro looks certain to hold up the settlement of a three-year dispute between Italy and Iraq which has blocked payments due to Italian companies estimated at $3bn-$4bn, John Wyles reports from Rome.

Italy's failure to honour a 1980 contract to supply 11 naval ships lies at the heart of the dispute, so the Italian government is anxious to avoid adding to the avalanche of embarrassing headlines about arms dealing which have been set off by the BNL Atlanta affair.

In addition, both Ministers and senior executives of companies which have traded with Iran fear that Baghdad may make its agreement on a settlement of the ships dispute conditional on BNL honouring the $920m of unused credits which have been booked in its favour in Atlanta.

"They have got a knife at our throat," said one government official yesterday. Given their alarm and desire to let the dust settle, it is thought highly likely that a meeting of senior ministers called for the end of this week to discuss the payments dispute will be postponed.

Further delay is a serious blow to the many Italian companies which cannot bid for a slice of Iraq's post-war reconstruction work until normal commercial relations are restored.

Baghdad has halted virtually all payments – possibly totalling up to $4bn – due on contracts signed with Italian companies since Rome tightened up its arms embargo to both sides of the Iran and Iraq war at the end of 1986.

While magistrates are investigating several cases of suspected subsequent abuse of the embargo, its most celebrated victims were the four frigates, six corvettes, a naval support vessel and a floating dock which Iraq ordered from Fincantieri, the state-owned shipbuilder, at the end of 1980 in a total contract worth $2.7bn. The naval support vessel was delivered in 1984 and the dry dock in 1985.

Both are still moored at Alexandria in Egypt because it was impossible for Iraq to bring them into the Gulf war zone.

Two helicopter-carrying corvettes were taken in delivery by Iraq, but without their armaments, and they are still languishing at the Italian naval base at La Spezia. Since then, another five vessels have been completed, but held in Italy, and the final three are due to be fitted out by the end of the year.

In January, the two governments agreed in principle that the vessels would all be delivered by Italy and all outstanding debts paid by Iraq. But the actual financial details were then left to be negotiated between Fincantieri and the Iraqi government.

No strangers to bare-knuckled negotiations, the Italians were surprised and more than a little outraged by the subsequent Iraqi tactics, above all because of the extra demands Baghdad pumped into the negotiations. Hence the fear that the Atlanta credits may become another condition for settlement.

One new demand was that Fincantieri throw into the settlement with no extra charge the Saettia, a prototype for a series of fast attack vessels for which no purchasers have yet been found. Fincantieri refuses to put a value on the ship, saying that it has been fully exploited for experimental purposes and, therefore, "written off" its accounts.

Another Iraqi condition posed since January is the supply on a credit of $150m of an advanced naval command and control system, manufactured by state-owned Selenia, which Baghdad wants to base onshore.

The Italian government gave Selenia permission to open negotiations on a possible sale in 1985, but these were halted with the 1986 embargo.

MPs accuse Papandreou over telephone tapping

By Kerin Hope in Athens

A SPECIAL parliamentary committee yesterday called for the prosecution of Mr Andreas Papandreou, the former socialist prime minister, on charges that he ordered systematic telephone-taps of both political rivals and close associates during his eight years in office.

The recommendation was made by a 12-member commission of inquiry set up by the ruling Conservative-Communist coalition. The five Socialist members of the commission dissociated themselves from the report, which alleged that the former premier instigated telephone-tapping that violated constitutional safeguards.

Parliament is to vote later this month on whether to refer Mr Papandreou for trial by a special court. There can be no hearing until the commission's findings are confirmed by a separate judicial investigation.

The accusations were the first to be directed formally against the former premier in the coalition government's current drive against corruption in Greek public life. The inquiry was told that Greece's former intelligence chief, Mr Costas Tsimas, supplied tapes of conversations involving leading politicians from all parties, as well as Ms Dimitra Liani, the airline stewardess whom Mr Papandreou married shortly after he lost power in the June election.

Mr Papandreou, who denied any wrongdoing, refused to appear before the commission.

Roh unveils plan for Korean reunification

By Maggie Ford in Seoul

PRESIDENT Roh Tae Woo of South Korea yesterday unveiled a detailed new formula for a transitional period leading to reunification with communist North Korea.

Addressing the opening of the autumn session of the South's National Assembly, he said that changes in the international situation had encouraged him to believe that the time was right for the South to be more forthcoming in its reunification policy.

President Roh said that he hoped a breakthrough in relations between the two sides could be achieved by August 15 next year, the 45th anniversary of the division of the peninsula.

Until the end of the Second World War, Korea was a colony ruled by Japan. The Japanese surrender was taken jointly by the US and the Soviet Union and troops met at the 38th Parallel. Five years later, the Korean war broke out and the two sides have never signed a peace treaty. The US stations 43,000 troops in South Korea.

Under President Roh's proposal, which has been drawn up after wide consultation in the South, a transition period would allow the restoration of national community after 40 years of no contact.

Unification would be pursued on the basis of self-determination, peace and democracy. A council of presidents would be set up to decide issues, along with a council of ministers and five sub-committees covering political, military, foreign policy, humanitarian and socio-cultural issues.

A legislative body comprising 50 parliamentarians from each side, along with a joint secretariat and resident liaison missions in both capitals, would be established.

After the transition period, Mr Roh envisages a unified country which would have a bicameral parliament, the upper house elected on a federal or regional basis, the lower house by universal vote,

Roh: time is right

which would administer a democratic welfare state based on freedom and equality with a free enterprise economy and a self-reliant foreign policy.

President Roh's statement marks a change from former South Korean unification policies and could provide a negotiating base for the two sides after other barriers are removed.

He has placed political and military talks on the agenda for the first time, and has agreed to equal representation from both sides. His description of the two sides in the transition as one nation, two entities, is closer to North Korea's proposal of one nation, two systems than previous Southern formulae.

Two main barriers still remain to meaningful talks between the two sides. North Korea has demanded that the South change its National Security Law under which contact with the North is punishable. It has also demanded negotiations over the withdrawal of US troops from the South. The issue has recently surfaced in the US Congress, but the Administration has promised to continue the commitment for the time being.

Rush is on for invitations to Nigeria's political 'party'

The field narrows - in numbers and diversity - as deadline for new system nears, writes Julian Ozanne

FROM his luxurious mansion in the wealthy Lagos suburb of Ikoyi, Chief Emmanuel Iwuanyanwu oversees the running of his multi-million-naira business empire: a merchant bank, some insurance companies, several factories, a daily newspaper and Nigeria's leading football club.

The robust and portly chief, dubbed by some the Robert Maxwell of Nigeria, has emerged as the leader of one of the country's new political parties - the Nigerian National Congress.

Enveloped in a huge armchair and surrounded by four-foot-high colour photographs of himself, Chief Iwuanyanwu explained the philosophy of the NNC.

"We are a party based on free enterprise . . . with millions of members in each of the 21 states, and we have brought together Christians and Moslems to work for the national unity, peace and economic progress of Nigeria and not for our own personal gain," he said.

These laudable aims are designed to appeal to the National Electoral Commission (NEC) and the military government of President Ibrahim Babangida, who came to office in 1985 in the country's seventh military coup in 29 years of independence. Between them they will soon decide which two parties of the 13 presently applying for registration may contest local, state, gubernatorial and, eventually, Presidential elections as part of the phased transition to civilian rule in 1992.

Last May the President lifted the six-year ban on partisan political activity (although former politicians remain banned).

A series of guidelines for aspirant political parties wishing to be registered was laid down. These included an even spread of members, and the establishment of functioning party offices in each of Nigeria's 21 states. The measures were designed to avoid party groupings coalescing around the three main ethnic groups - the Yoruba, the Ibo and the Hausa, who dominate west, east and north Nigeria respectively.

They were also intended to try to avoid the traditional politico-religious divide between a predominantly Moslem north and a largely Christian south.

In the run-up to the deadline for applications for registration last July, nearly 50 political associations were launched. But, after a chaotic period of mergers and combinations only 13 eventually applied.

The Government will make the final decision on the basis of an NEC shortlist. Two-party local government elections follow in December and state and gubernatorial elections in the first half of next year.

Of the 13 political associations only five look like serious contenders - the NNC, the People's Solidarity Party, the Liberal Convention, the People's Front of Nigeria and the Nigerian Labour Party.

Few observers expect the NLP, with its radical opposition to the economic reform programme under way since 1986, to be registered. There is little ideological difference between the remaining four heavy-weights. Manifestoes have been kept remarkably vague; the only noticeable difference is a slightly left-of-centre welfare policy bias of the PSP and PFN.

Babangida: lifted six-year ban

Many Nigerians are sceptical that the parties and their leaders represent the "new breed" of politician President Babangida says the country needs, and suspect that the new parties are merely the old parties dressed up in new clothes.

"I'll tell you what the Nigerian new breed is," says one leading businessman and former politician. "He is 60 years old, he is a known crook and a vagabond, he has no background, he is a wheeler-dealer and he is a politician. Ever since independence he has been going for election and losing. His people never wanted him in office and he has never served. Today he is a new breed."

Many Nigerians are disturbed by the high cost of politicking, which tends to leave the field open only to business tycoons. The local Newswatch magazine has estimated that the registration process alone will cost N250m (£22m).

Critics accuse the military of stifling the emergence of the democratic process by suppressing political debate on key issues such as the economy, and by guiding the process in such a way as to minimise the development of alternatives.

They fear that the two parties selected will be coalitions of elites who had the money to build nationwide party machinery and achieve the required geographical spread of members.

There is nevertheless a widespread belief that the Government is genuinely trying to bring about a new order in the face of tremendous obstacles.

So far most of the parties have chosen to avoid the religious issues which have historically been a source of conflict. Many observers believe the two-party system, based on country-wide alliances, could take root.

But by far the most sensitive issue for the government is the groundswell of popular opposition to its economic policies. In May, riots erupted throughout the country as students and youths protested against the structural adjustment programme. The government detained hundreds of people and closed eight university campuses, six of them for a year.

The crackdown severely damaged the Government's human rights image, already stained by earlier arrests of journalists and lawyers under the State Security (Detention of Persons) Decree.

A relief package to ameliorate the austerity measures and a feeling that the transition programme is still on course keep dissent at bay. But as Nigeria moves closer to the target of civilian rule in 1992 the underlying tensions could yet come to the surface.

Soviet threat stressed by Japanese

THE SOVIET Union poses a strong military threat in the Far East despite the recent relaxation in East-West tensions, according to a report issued today by Japan's Defence Agency, Reuter reports from Tokyo.

The agency said Moscow was improving the quality of forces stationed near Japan, in spite of reducing the number of troops in the Far East. "The developments in the Soviet Far East forces pose a latent threat to Japan," the report said.

Most Soviet Far East forces, other than ground forces, are on Sakhalin island, the Sea of Okhotsk and the Kamchatka Peninsula - all near Japan, the report said. These units were equipped with up-to-date weapons, it added.

"Since the advent of Mr Gorbachev as Soviet leader in 1985. . . the increase or improvement in the Soviet military has continued, particularly in the case of naval and air forces in the Far East," said Mr Yuuken Hironaka, a Defence Agency official. "I think our basic idea is to continue the defence efforts that we have made in the past. At least, we should not lower the level of our defence efforts."

Last month, the agency asked for a 6.35 per cent increase in its budget for fiscal 1990-91 starting next April.

By next year, the agency must also announce its five-year defence mid-term build-up programme for 1991-95 as well as a long-term defence policy outline. Military analysts said the report is designed to justify Japan's steady arms build-up domestically in the face of US demands that Tokyo share more of the defence burden in the region.

Mr Andimba Toivo ya Toivo, secretary-General of the South West People's Organisation (right), is greeted by well-wishers yesterday on his arrival in Namibia after 30 years' exile, AP writes. Mr ya Toivo and Mr David Meroro, Swapo national chairman, accompanied by dozens of other party officials, arrived at the Windhoek airport on an Angolan Airlines flight from Luanda.

"Home, sweet home," Mr ya Toivo said after kissing the tarmac. "It is very sweet to be back." He is due to be joined on Thursday by Mr Sam Nujoma, the Swapo president, for the final weeks of campaigning for November's pre-independence elections.

Mr ya Toivo, considered Swapo's second-ranking official, was one of the organisation's founding fathers in the late 1950s and early 1960s. He was convicted of terrorism under South African laws in 1967 and served 17 years in South African prisons.

Bougainville Island politician assassinated

By Chris Sherwell in Sydney

A POLITICIAN on Papua New Guinea's Bougainville Island was assassinated yesterday, highlighting the government's problems in restoring security on the island and undermining hopes for an early re-opening of the vital Bougainville Copper mine.

The victim, Mr John Bika, was an important member of the local North Solomons provincial government, and his murder confirmed that the 10-month sabotage campaign which has shut the mine since May is aimed at its long-term closure and the province's secession from Papua New Guinea.

The government of Prime Minister Rabbie Namaliu had hoped increased benefits for local landowners and the island as a whole would overcome renewed secessionist pressures in an area which, in 1975-76, when colonial rule ended in Papua New Guinea, fought for its own independence.

But the death of Mr Bika, who stood against secession as a solution to the island's problems and whose constituency included the mine, came one day before Mr Namaliu was expected to sign a package of welfare, royalty and other financial payments for the island.

That signing looked likely to be delayed yesterday, and Mr Bika's assassination, apart from intimidating others, could escalate security force operations on the island and end all Port Moresby's attempts at negotiation with Mr Francis Ona, the former mine employee who leads the band of militant landowners.

They launched their attacks on the mine's property and personnel last November, and their actions precipitated curfews and the arrival of army troops and police reinforcements.

The result has been relocation of local inhabitants, reports of villages being razed, a mounting death toll - and a failure to capture Mr Ona.

A week ago, assurances that security had been restored prompted CRA, the Australian resources group which owns 53 per cent of Bougainville Copper, to resume operations. But gunshots fired at a bus carrying mine employees prompted an embarrassing shutdown nine hours later, followed by the bombing of two pylons carrying power to the mine.

Mr Bika was reported to have been shot in the stomach and head by a group of men who attacked him at his home after midnight.

A re-opening of the vast open-cut mine, the country's largest, remains a priority. Exports of its copper and gold concentrate bring in 44 per cent of Papua New Guinea's foreign exchange earnings. Through taxes, royalties and dividends - the government has a 20 per cent shareholding - it produces around 17 per cent of the state's internally generated revenues.

Peking tributes increase speculation about Deng

By Robin Pauley, Asia Editor

SPECULATION about the state of Deng Xiaoping's political and physical well-being continued to mount yesterday when the official Chinese press published lengthy tributes to his life and work.

Deng was last seen in public in June, since when there have been repeated rumours that he is very ill, all of which have been strongly denied by the Foreign Ministry in Peking. But on Saturday he missed a meeting with a visiting head of state for the first time in several years.

Yesterday the People's Daily printed two separate articles, occupying nearly two full pages, describing Deng's achievements as far back as the 1940s and his contributions to Communist theory.

This set the capital, already full of speculation, abuzz. Deng has become increasingly frail during the last year and apart from increasing deafness he is known to have serious prostate trouble which some reports say is malignant.

Had Deng died the authorities may well want to conceal the fact until after National Day on October 1, the 40th anniversary of the Communist Revolution. Plans are advanced for huge celebrations which the authorities hope will convince the Chinese people and the world that the country is back to normal after the massacre of demonstrating students in June. The death of Deng would kill the celebrations and might provoke further turmoil.

Deng, who has avoided personal tributes during most of his decade or so in power, has become the centre of a limited personality cult since the June crackdown.

China's risk rating worsens

CHINA'S conntry risk assessment has been downgraded sharply from 7.6 on a *10-point scale* to 5.6 by the Japan Bond Research Institute, one of the country's most influential ratings agencies, Robert Thomson reports from Tokyo.

The agency said that the fall in China's rating, which means that it drops from a class B "little risk" country to a Class C "some risk" country, ie "attributable to political and economic instability which came to a dramatic climax" in June with the crushing of the pro-democracy movement. Debt servicing capacity was rated at 5, *a fall of 1.3 points*, in the "expectation that the country'a foreign currency earnings will decrease".

Japanese banks are soon to begin seasonal re-assessments of country risk, and most say China will get special attention. One banker said China should have no trouble getting new commercial loans, but will have to pay more for them, perhaps an extra 0.5 per cent.

Japan to deport Chinese refugees

Japan said yesterday that Indochinese boat-people classified as economic refugees would be detained, and deportations of Chinese refugees may begin in the near future, *despite* Peking's *warnings that* they would be prosecnted, Robert Thomson reports from Tokyo.

The Foreign Ministry indicated that detention campa would be built for Vietnamese regarded as economic refugees, and that they would remain there nntil they decided to return home or a repatriation agreement was reached with *Hanoi*.

Arafat in Cairo for election talks

By Hugh Carnegy in Jerusalem

MR YASSIR ARAFAT, chairman of the Palestine Liberation Organisation, arrived in Cairo for talks with President Hosni Mubarak yesterday, *the latest development in* efforts to bridge the gap between Israel and the PLO on Israel'a proposal for elections in the West Bank and Gaza.

As US talks with the PLO - opened late last year - have failed to produce a breakthrough on the election issue, Egypt, the only Arab country to have made peace with Israel, has increasingly become the focus of diplomatic attention. Visitors there include Palestinian leaders from the occupied territories anxious for political progress.

Cairo has responded to Israel's suggestion of elections leading to Palestinian autonomy in the occupied territories with 10 conditions. These include Israeli acceptance that an interim autonomy period be followed after a fixed time by a negotiated final settlement based on the principle of exchanging land for peace embodied in UN resolutions 242 and 338.

The 10 points also propose that elections include the 140,000 Arab inhabitants of East Jerusalem, that they be monitored hy international observers, that Israeli troops withdraw from polling areas on election day and that Israel guarantees the aecurity of those elected.

Mr Shimon Peres, Israel's Labour leader, has welcomed the Egyptian conditions. But they are far from being accepted by Mr Yitzhak Shamir, the Prime Minister.

Australian air row stalemate

By Chris Sherwell

WORDS rather than aircraft flew yesterday as the Australian pilots' dispute, exacting an ever higher cost, moved into its fourth week with no sign of solution.

The dispute, over a 29 per cent pay claim by 1,600 pilots, led last month to their mass resignation and the grounding of all domestic flights. The action has throttled tourism and disrupted business.

Last week, Ansett and Australian Airlines, the two leading carriers, backed by Mr Bob Hawke, tha Prime Minister, predicted their airliners would be flying early this week. Yesterday, their predictions remained just that.

Sir Peter Abeles, head of Ansett, threatened to close his airline rather than give in to the pilots. Both airlines still divulge to say how many pilots were persuaded to return, or the terms on which they were being re-hired.

Tha Australian Federation of Airline Pilots says none of its members had yet signed up.

Jordan secures bank debt accord

JORDAN'S Finance Ministry said yesterday that the country'e commercial lenders had agreed in principle to reschedule $575m in debts due over a 30-month period, AP-DJ writes from Amman.

The agreement, announced by Jordan Radio, is part of a series of steps taken by the Government to overcome a balance of payments crisis largely triggered by mounting obligations on Jordan's $8.3bn debt.

The agreement followed two daye of talks between six banks representing the London club of commercial lenders and Jordanian officials led by Mr Bassel Jardaneh, the Finance Minister, and Mr Mohammed Said Nabulsi, the Central Bank Governor. The commercial banks grouped under the club hold about $1.1bn of debt.

The atatement quoted a Finance Ministry official saying the bank had agreed to reschedule $575m due from the start of this year through mid-1991. The sum agreed was $125m more than Jordan had hoped.

Algeria's reform-threatened FLN returns to the subversive

The Party is trying to sabotage changes favoured by the President and endorsed by referendum, writes Francis Ghilès

ALGERIAN President Chadli Bendjedid's abrupt dismissal of Prime Minister Mr Kasdi Merbah at the weekend comes at the end of a summer marked by fast-rising prices and severe shortages of staple foodstuffs and consumer goods.

Semolina, the base of the national dish "couscous", is unobtainable in many Algerian towns, and cooking oil, vegetables and, more recently, cigarettes have disappeared from shops only to be found at up to four times their official price on the black market.

These shortages are not, in most instances, the consequence of any lack of local prodnction (cigarettes and vegetables) or imports (semoline). Most observers agree they are being deliberately engineered by people in tbe middle and higher ranks of the *Front de Libération* National party (FLN) which has held a monopoly of power since 1962.

The endorsement last February by a large majority of Algerians of the reforms proposed by the president

Hamrouche: man of few words

calling for a multi-party system and the end of the country's commitment to socialism has made the FLN and its deputies, who still hold all the seats in the Assemblée Populaire Nationale, feel threatened.

New political parties, a score of associations, radio and newspapers, most notably that flagship of Algerian glasnost Algérie Actualité, have become much more forward in their description of the country's ills.

Those few among the FLN hierarchy attempting to question the old ways are being silenced or, as in the recent instance of the editor of the party's weekly Revolution Africaine, summarily dismissed.

Mr Merbah ran the much-feared internal security apparatus under the late President Boumedienne and helped to push a reluctant Colonel Chadli to the fore in the battle for succession 10 years ago. But how convinced he was of the need for reform is difficult to say. Since he was appointed Prime Minister last December in the wake of the worst *violence since Algeria won independence in 1962*, he has had an unenviable task.

A few day ago, in Oran, the capital of western Algeria, three shopkeepers were arrested after having failed to present invoices showing where they had purchased the goods they were selling. They protested that no shopkeeper who wished to stay in business could do so if he chose to rely on the state distribution monopolies which alone issue invoices but increasingly have no goods to distribute.

In private recently, some of the most senior members of the cabinet have vented their despair at what they felt was the Government's lack of courage and determination in tackling tha difficult prohlems Algeria faces.

The successful conclusion of negotiations to raise SDR471m ($378m) from tbe International Monetary Fund last June, a more recent $300m (£194m) re-structuring loan from the World Bank and tbe country's greater willingness to sell its major *asset, natural gas*, at market prices have helped rebuild a measure of confidence among Algeria's creditors in its ability to meet its debt commitments.

But that credibility will not last if Algeria's rulers fail to implement the reforms endorsed in the referendum last February and in the re-election of President Chadli which followed.

The Prime Minister attempted, in the presence of Algerian and foreign journalists on Saturday night, to protest his innocence and project the blame for the unpopularity of his cabinet and the disorder of recent months on the "spoiling tactics" of the trade unions and the media.

Such clumsy protestations will not have endeared him to ordinary Algerians. The latest issue on Thursday of Algérie Actualité carried some pungent articles describing the decomposition of the FLN, many of whose militants who have not profited from rackets feel betrayed and abandoned.

Mr Merbah's questioning of the President's right to dismiss him drew a sharp comment from the official APF news agency the next morning. Did Mr Merbah suggest he was offering himself as a constitutional alternative to the head of state? APF reminded its subscribers that the new constitution granted the head of state the absolute right to appoint and dismiss the Prime Minister.

It stressed that the head of state alone had stood for re-election since the riots last October.

By lunchtime on Sunday, Mr Merbah had conceded the President his right to dismiss him. He has been replaced by Mr Mouloud Hamrouche, secretary-general of the Presidency and the pivot in recent years of President Chadli's attempts to reform Algeria.

A hard worker and a man of few words who at 15 joined the guerrillas fighting the French, Mr Hamrouche now has to form a government. The list of those who take the key portfolios will quickly provide an indication of his determination.

The most encouraging aspect of the past two days, however, may be that, for the first time, a serious disagreement among Algerian leaders has been conducted by means of a constitutional argument, and in public, rather than behind closed doors.

Singapore plea

Mr Allan Ng, a Singapore hanker, yesterday pleaded guilty to insider trading, reversing an earlier plea, Reuter reports from Singapore. Mr Ng, a former deputy chairman of United Overseas Bank, admitted he *bought* 1m shares of Singapore's Sealion Hotels in October 1986 shortly after he found out the company had asked the local stock exchange to lift suspension on trading its shares.

UK pledges aid for Colombia in drugs battle

By Lionel Barber in Washington

BRITAIN will join the US in providing training and technical assistance to the Colombian Government in its fight against drug traffickers, Mr John Major, UK Foreign Secretary, told President George Bush in Washington yesterday.

Mr Major said the aid would be the first tranche of what he expected would be "substantial" British aid to Bogotá.

During his visit to Washington – largely a "get-acquainted" trip since his appointment in a Cabinet reshuffle last July – Mr Major is due to meet Mr James Baker, US Secretary of State, Mr Richard Cheney, Defence Secretary, and other senior administration figures.

After a 90-minute lunch with Mr Baker at the State Department, the Foreign Secretary said the recent elections in South Africa provided President F.W. de Klerk with a strong mandate for change. There would be "no excuse" if he failed to move towards political reform.

Yesterday, Mr Major repeated his opposition to new economic sanctions against the Pretoria Government, but added: "There is total unanimity within the British Government, and between the British Government and the American Government, that apartheid needs to be dismantled comprehensively."

Other topics for discussion included East-West relations, Cambodia, China, Afghanistan, and Hong Kong, on which Mr Major appealed for support and understanding for the "very acute and very difficult" Vietnamese refugee problem. British officials said there was "no prospect" of resettling the 50,000 Vietnamese in Britain, and said the best solution would be voluntary return to their homeland.

On East-West relations, Mr Major discussed the upheaval in the Soviet Union and the meeting in Wyoming of Mr Baker and Mr Eduard Shevardnadze, his Soviet counterpart, on September 22-23. That weekend, Mrs Margaret Thatcher, British Prime Minister, is to hold talks with President Mikhail Gorbachev in Moscow on her way back from Japan.

Regarding Colombia, Mr Major said a British team of experts was in Washington after a visit to Bogotá assessing how to help President Virgilio Barco's Government.

The Foreign Secretary said he could not estimate the cost of the UK aid to Colombia, but it would take the form of military training, help to protect the judiciary, and provision of personnel. He declined to comment on questions about the role the SAS or other special anti-terrorist group might play.

Interest in the role of US military advisers has risen since the disclosure at the weekend of a classified National Security Decision Directive which authorises US advisers to move outside base camps to "secure" areas. This could open the way for an expanded role for US troops in the anti-drug effort in Colombia, Peru and Bolivia, officials said.

Mr Major is due to deliver a speech on Europe in New York tonight, when he is expected to strike a more positive tone than of late towards the European Community, British officials say. Yesterday, Mr Major said it was wrong to assume Britain was lukewarm about Europe. "We are not a poor European," he said.

Gorbachev has year to succeed, US told

By Lionel Barber

THE MAVERICK Soviet politician Mr Boris Yeltsin, making his first visit to the US, yesterday predicted that President Mikhail Gorbachev has six months to a year to show progress in the Soviet Union, or face "a revolution from below".

Mr Yeltsin said the first warnings of such a revolution had already occurred, with strikes and demonstrations from the Baltic to the Caucasus. "You have a crisis in the economic system, in the financial system, a national crisis, a nationalities crisis, a social crisis, and a crisis in the party," said Mr Yeltsin on TV.

He was sacked from the Politburo two years ago when he criticised Mr Gorbachev for not proceeding rapidly enough with reforms. Mr Yeltsin is on a two-week tour of the US, meeting politicians, business people and academics.

He arrives as the Bush Administration is turning its mind increasingly to East-West issues, particularly via the meeting later this month in Wyoming of Mr James Baker, US Secretary of State, and his Soviet counterpart, Mr Eduard Shevardnadze.

Four into one may go in the Windwards

Economic concerns hasten unity moves in eastern Caribbean, writes Canute James

AS FAR as Mr James Mitchell, the Prime Minister of St Vincent, is concerned, there are only two conditions which must be met if a proposed political union of his country and three neighbouring islands is to be successful.

"We must have one flag at the United Nations, and we must talk with one voice, or no one will listen to us," the Prime Minister said. "Second, we must have one ministry of finance. If we do not have one voice and one treasury, we will not get any money. We can come up with any constitutional formula, but these are the two things I will insist on."

He was talking about a proposal for the creation of a single state made up of four islands of the Windwards group in the eastern Caribbean – St Vincent, St Lucia, Dominica and Grenada.

Common concerns over the fragility of their small economies are driving the governments of the four to seek public endorsement for their proposals.

"It has been agreed that the four Windward Islands will go ahead with political union," said Mr Vaughan Lewis, director general of the Organisation of Eastern Caribbean States. "They are aiming for referendums in early 1990."

The four islands, with three from the Leeward group, make up the OECS, a sub-group of the Caribbean Economic Community.

"The referendum is the first step as there are repeated arguments that in previous efforts at political union the people were not asked," Mr Lewis said.

The leaders of the four from the Windward group decided to move ahead, leaving the door open for the others to join later. But the plans for the referendum next year may have to be delayed in some islands, such as Grenada, where an election is due between December and March.

"What would be ideal," said one St Lucian official, "is for the people of the four islands to be told clearly that a decision on political union has nothing to do with which government is elected. They must understand that they are being asked whether they want some form of political union."

The islands have a history of co-operation on which they could build viable political union. The group shares, with the Leewards, the same high court and a common currency. Its financial affairs are administered by a common central bank and its economy is based on tourism, bananas and spices. The islands are governed by parties and leaders whose politics tend towards the conservative.

However, the opposition parties in the four islands are suspicious over the manner in which the idea of a political union is being pursued. The parties, which say they are not opposed to political union, are seeking guarantees that will commit the new union to ideological pluralism. Some are worried that the union could be used by incumbent parties to consolidate their control of office.

The leaders of the four islands have argued that in addition to expanding the economic base, political union will also produce savings for national economies through joint efforts ranging from regional transportation to foreign diplomatic representation.

"There is now agreement on ways to ease travel between the islands," reported Mr Lewis, "and work is being done on the unification of the police and the judiciary."

It is the likely economic benefit from the new state, with a potential population of about 450,000, which is fuelling the effort. "The governments supporting the idea say it is viable and necessary for the islands' development," said Mr Lewis.

"They say it will increase economies of scale and increase the chances of economic growth. We cannot now organise for the scale of economic production which is needed as the islands are too small. For example, if we are producing cut flowers for the EC and US markets, one island would soon exhaust its productive capacity."

The intention is to build on what are comparatively healthy economies in the four islands – not only in the Windwards, but in the three Leewards as well. The Eastern Caribbean Central Bank, the monetary authority for the seven islands, reports that the group's economy grew last year by 5.5 per cent – about the same rate as in 1987 – mainly through expansion in agriculture, tourism, manufacturing and construction.

The islands' banana industry, the source of about two-thirds of British consumption, increased shipments last year by 42 per cent. Tourism grew by 6 per cent, bringing in gross earnings of $365m, helping to offset a $524m merchandise deficit.

But the first big test of the economic strength of the proposed union is not far off. When Europe unites after 1992, the Windwards and other Caribbean producers, such as Jamaica and Belize, will lose their protected banana market in Britain. The islands will then have to compete with fruit from other parts of the world.

World Bank offers loans for combating pollution

By Peter Montagnon, World Trade Editor

THE WORLD Bank will make available $1.3bn in loans to developing countries over the next three years, specifically to help them combat pollution and protect the environment, Mr Barber Conable, its president, said in Tokyo yesterday.

Unveiling to a conference on global environment a series of measures planned by the bank, he rebutted criticisms that it was not doing enough regarding the environment, but protection of the environment while ensuring continuing development would involve additional costs.

"This is not a matter of funds being redirected from one set of environment objectives to another, but of genuine additionality," he said.

The bank believed there was a close link between poverty, the environment and development, he said. Developing countries had to be offered choices that would allow them to grow. Rich countries should not force them to stagnate in the interests of environmental protection.

Black leads NY party contest

By James Buchan in New York

AS THE VOTING booths opened this morning in New York city for the primary contests to choose candidates for the mayoral election, Mr David Dinkins was ahead in the opinion polls and so in line to be the first black person nominated for the job by the dominant Democratic Party.

As Mr Dinkins and his main rival, the incumbent mayor Mr Edward Koch, ended weeks of hectic campaigning, a poll by the New York Daily News and Channel 7 put Mr Dinkins seven points ahead. In the Republican Party primary, Mr Rudolph Giuliani is expected to beat Mr Ronald Lauder.

Mr Dinkins will need to secure black support at almost the high level in the city that backed Rev Jesse Jackson in the Democratic presidential primary last year.

Drexel pleads guilty to fraud

By Karen Zagor in New York

DREXEL Burnham Lambert, the big US investment house, yesterday pleaded guilty to six felony counts of mail and securities fraud, ending eight months of negotiation and appeals.

Last December, Drexel had agreed in principle to plead guilty to the six charges and to pay $650m in fines and restitution, so as to avoid more damaging charges, which might have included recketeering.

However, the guilty plea was hamstrung by repeated challenges by Mr Michael Milken, former head of Drexel's junk bond trading, and his brother, Mr Lowell Milken.

The charges of fraud and other illegal acts between 1984 and 1985 arose from a two-year investigation of the affairs of Mr Ivan Boesky, who was convicted of insider trading.

Safety changes proposed for McDonnell Douglas

***By Roderick Oram** in New York*

A TASK force of US government and aviation industry experts yesterday proposed modifications to improve the safety and extend the lives of 1,900 ageing McDonnell Douglas jet airliners.

The changes will cost about $290,000 per aircraft or about $563m in all, the task force said. The Federal Aviation Administration will make the changes mandatory soon for US-registered aircraft. Its counterparts abroad will probably adopt the rules for McDonnell Douglas aircraft registered in their countries.

The task force is the second organised by the Air Transport Association, which represents US airlines. The first produced a study on elderly Boeing airliners in March. The third and last task force will report this year on changes to Lockheed, Airbus Industrie, British Aerospace and Fokker aircraft.

The studies were initiated after a spate of mishaps to older airliners, the most notable having been the peeling-away of a top section of fuselage on an Aloha Airlines Boeing 727 over Hawaii last year.

The decision to modify old aircraft marks a sharp change in tack for US regulators. Till the adoption of the Boeing modifications this year, authorities had stressed regular inspection of aircraft to detect metal fatigue and corrosion.

The Boeing changes entail an average of about $600,000 per aircraft, roughly double the McDonnell Douglas figure. Avmark, a Washington aviation consultancy, said the bill was smaller for McDonnell Douglas craft because they were suffering fewer corrosion problems than Boeings.

The McDonnell Douglas changes range from $90,000 for early versions of the MD-80 to $490,000 for early DC-9 airliners which came into service 25 years ago.

The changes are based on recommendations by the company. The Air Transport Association said some airlines have already modified or changed many of the parts identified in its study.

WORLD TRADE NEWS

US to go into battle over EC rules of origin

By Ian Davidson in Paris

NEW PROPOSALS governing rules of origin will be put forward to the General Agreement on Tariffs and Trade (Gatt) trade liberalisation negotiations in Geneva later this month by the US Administration, Mrs Carla Hills, US Trade Representative, said yesterday.

The proposals will be designed to counter existing European Community rules of origin which the US Administration considers discriminatory, and will call for harmonisation as well as procedures to govern the use of rules of origin.

Mrs Hills, who is at the start of a five-day high pressure visit to six European cities, told a meeting of the conservative association Fondation du Futur that American semiconductor manufacturers were being discriminated against by ambiguities in European Community rules of origin.

'American manufacturers are being discriminated against by ambiguities in European Community rules of origin'

The discrimination arose as a by-product of a European anti-dumping policy initially directed against Japanese manufacturers of printers and typewriters, but which compelled US companies to manufacture semiconductors in the Community or lose sales.

During her whistle-stop tour, which takes in London, Bonn, Berne, Geneva and Brussels, Mrs Hills will also be campaigning against European local content rules, starting with the European Community's proposed television broadcast directive, which would require that at least 50 per cent of all TV programming should be of European origin.

Mrs Hills said the US would seek in the Uruguay Round of trade liberalising negotiations to secure a ban on local content requirements.

The US Trade Representative made clear that she would be protesting once again to the West German government against its policy of guaranteeing the West German end of the Airbus consortium against the risks of exchange rate fluctuations. She described this policy as "absolutely wrong".

Hills: taking the offensive

Australian publishers campaign against 'open market'

By Chris Sherwell in Sydney

PUBLISHERS in Australia are expected to campaign strongly against a recommendation by the Prices Surveillance Authority (PSA) to declare Australia an "open market" for books.

If accepted by the Canberra Government, the recommendation will bring Australia's notoriously high retail prices down by an estimated 30 per cent and put newly-published books on Australian bookshelves more speedily.

But apart from hurting booksellers' margins, it would eat into foreign and local publishers' profits and perhaps impair prospects for local authors.

The proposal also has significant wider implications in the complex area of copyright, potentially affecting not only writers but also music publishers and software producers.

The proposal has wider implications in the area of copyright

The agency's decision, which follows a three-month investigation, is a direct response to complaints that Australians have to wait too long and pay too high a price for their books under the present "territorial" arrangements.

Booksellers in Australia, a predominantly book-importing country, currently have to buy books from the Australian agents or subsidiaries of foreign publishers.

Because US and UK publishers have divided markets up so that Australia does not import from the US, that usually means UK publishers.

According to Professor Alan Fels, head of the PSA, the existing arrangements are a "vestige of colonialism" which operata to the advantage of book exporting countries like the UK.

He believes direct competition, in which UK and US editions of the same title fight in an open market, would benefit the consumer and put Australia in a similar position to Canada, where competition forces UK-published books below UK price levels.

But he also says Australian-authored books published in Australia should continue to be protected.

The agency's recommendations appear at odds with a recent review committee on copyright law, which favours the divisibility of copyright provided booksellers can import titles when a publisher holding Australian rights cannot supply the titles within a certain time.

Mr Peter Carey, the Australian winnar of the Booker Prize, agrees thet copyright, which is "all a writer has to sell," should be divisible.

"All that's wrong at the moment," he told a recent gathering, "is that the British publishers are getting away with treating Australia as part of their copyright territory. This is of no benefit to anyone but the British publishers who get Australia on the cheap and don't haveto take it seriously."

Cocom delay for Soviet phone deal

A MAJOR telecommunications contract under discussion between French telecommunications group Alcatel and the Soviet Union is being held up by Western restrictions on technology transfer to the East bloc, a spokesman for Alcatel's Belgian unit said yesterday, AP reports from Brussels.

The more than $1bn deal would initially involve direct supply by the Belgian company, Alcatel Bell Telephone, of 250,000 digital telephone lines. In a second stage, Bell Telephone would join with the Soviet company Krasnaya Zarya to assemble the exchanges with a capacity of up to 1.5m lines a year.

The spokesman, who declined to be identified, said that the contract could not be concluded yet because of curbs by the Co-ordinating Committee on Multilateral Export Controls (Cocom) on technology transfer to the East bloc.

Paris-based Cocom is a 17-member western government organisation which controls exports of strategic technology to Eastern Europe and China.

"Cocom does not accept technology transfer for the moment," the Bell spokesman said. He added that Alcatel was "continuing to negotiate in order to be 100 per cent ready when Cocom agrees to the technology transfer."

Japan launches review of trade practice law

By Robert Thomson in Tokyo

JAPAN'S Fair Trade Commission has announced the launch of a broad review of the country's business practice laws, including regulations relating to the much-criticised distribution system and to the corporate cross-holdings identified by US officials as trade barriers.

The commission, which will invite submissions from foreigners during open hearings, expects that the review will be completed in the first half of next year, and hopes new laws will reduce complaints from foreign companies about the mysterious workings of Japanese trade practice law.

Mr Jotaro Yabe, director of the commission's general affairs office, said Japan wanted its laws to be more in harmony with international laws because "the Japanese market is such a big market", and because "Japanese companies are very active in foreign countries" and some are confused by the differences in trade practice legislation.

The Fair Trade Commission admits that present, awkwardly worded laws have remained obscure to outsiders because very little case law has accumulated. In the 36 years of the present definition of unfair trade practices, only one conviction has been recorded, against a Japanese oil cartel a decade ago.

Four of the six complaints raised by the US at last week's Structural Impediments Initiative (SII) talks on trade fall within the jurisdiction of the commission, which will look at laws on bid-rigging on public works projects. However, Japanese negotiators at the talks said that US criticisms of the mild action taken against trade practice offenders did not take into account the impact of being an outcast in Japan's corporate culture.

● A group of eight Japanese contractors have accepted a Fair Trade Commission order to disband a cartel involving the supply of earth and sand for a new international airport in Osaka Bay.

The commission said six companies had conspired to pre-set the amounts and prices of raw materials needed for the airport. The six companies were ordered to pay surcharges totalling Y320m ($2.15m).

Volvo agrees car deal with South Korea

By Kevin Done, Motor Industry Correspondent, in Frankfurt

VOLVO, the Swedish car and truck maker, is aiming to complete negotiations with Ssangyong, one of the leading South Korean industrial groups, by the end of the year for the production in Korea of a car based on Volvo technology.

According to Mr Roger Holtback, the president and chief executive officer of Volvo Car, the Swedish group's car-making snbsidiary, Volvo has signed a letter of intent with Ssangyong, and the Korean group has filed an application with the Korean authorities to start production.

In an interview in European Motor Business, published by the Economist Intelligence Unit, Mr Holtback says that "the first step will be to develop a Ssangyong car, built with Volvo technology and derived very mnch from the Volvo 240 concept with regard to platform, chassis, engine and transmission."

The car would be produced for the South Korean market. Mr Holtback said that Volvo was aiming at much more than a simple transfer of technology.

"Sooth Korea is important and we think that we should build up general and industrial and technological links in the region . . . it is very important that we do not only transfer technology," he said.

In a second phase, which would be more of the nature of a joint venture, Volvo is planning to purchase a larger volume of components.

"For the total production of Volvo cars we think that South Korea could become a good source for Volvo in association with Ssangyong.

"On a long term basis we can have different visions and it might be so that Volvo, together with Ssangyong, can produce Volvo cars in South Korea in the early part of the next century."

He said it was too early to comment on whether Volvo would take an equity stake in Ssangyong.

Volvo is seeking to rapidly increase its market share and sales in the Far East. It is aiming for sales of around 25,000 cars a year in Japan by the year 1995, compared with sales of 6,500 this year.

It is aiming to sell around 10 per cent of its total volume or 40,000 cars a year in total in Asia by the mid-1990s.

Volvo's main car assembly plants are in Sweden and in Belgium, while it holds a 30 per cent equity stake in Volvo Car BV in the Netherlands, which produces the smaller Volvo models, the 300 and 400 series.

A small volume of its top of the range 780 are also assembled by Bertone in Italy, and it has a limited car assembly operation in Canada.

Hong Kong watch export growth slows

By John Elliott in Hong Kong

THE GROWTH of Hong Kong's highly successful exports of domestically produced watches and clocks slowed dramatically in tha first half of this year because of a slump in world-wide demand.

Between January and June, watch and clock exports rose by only 2 per cent over the same period last year compared with growth of 24 per cent in the whole of 1988.

But there has been continued rapid growth of more than 90 per cent of re-exports of watches and clocks produced in China which is being increasingly nsed by Hong Kong industries because of its available sourcea of cheap labour and factory premises.

Statistics released yesterday by the Hong Kong Trade Development Council to mark the opening of Hong Kong's annual watch and clock fair show that exports of domestically prodnced watches and clocks totalled HK$16.6bn (£1.4bn) in the whole of last year and HK$7.38bn in the first half of this year.

Re-exports of watches and clocks produced in various countries, inclnding China, rose by 50 per cent last year to HK$7bn.

Hong Kong is the world's largest exporter of complete watches and clocks in quantity terms and the second largest exporter of watches alone in valne terms after Switzerland and before Japan.

The trade council said the decline in export growth has been largely caused by inventory accumulation in major markets and that international price competition has forced down profit margins and added urgency to Hong Kong's attempts to move up-market.

Danes start network for small firms

By Hilary Barnes and Xueling Lin in Copenhagen

AN UNUSUAL "network" scheme started by the Danish Industry Ministry may be the solution for the small companies of smaller EC countries in their fight to remain competitive against larger rivals.

The Danish companies have beeo encouraged to form themselves into groups which will collectively market and launch new products, do research and share technological developments – all with the support of a fund started by the ministry.

The scheme envisages the companies creating a co-operation which goes further than a joint venture although stopping short of a merger.

The creation of networks within Danish industry, which is characterised by numerous small companies, appears to be the Danish answer to 1992 and the large companies in other EC countries.

"The scheme works on two fronts; financial support which acts as the initial incentive for small companies to get together and in the longer run to get the companies used to the idea of working together," explained Mr Kurt Steen Jacobsen, department head of the Industry and Trade Board which administers the fund.

The Board has trained 40 "network agents" who will promote the oew idea. Two pilot networks have been started involving 18 companies; 11 textile and clothing companies under the name of CD Line and seven furniture producers under the name Alfa Betica Group. The clothing companies intend to launch a top-to-toe line of executive wear while the furniture group will market a range of up-market office furniture in West Germany, Holland and the UK.

UK NEWS

Verdict goes against bank in key case on equal pay

By Michael Smith, Labour Staff

AN INDUSTRIAL TRIBUNAL ruled yesterday that seven female clerical workers at Lloyds Bank are entitled to equal pay with a higher paid male messenger in a case that has implications for the pay-bills of companies throughout Britain.

The tribunal's decision is thought to be the first in Britain to find in favour of a group of white collar staff who claim to be doing work of equal value to blue collar workers.

It could prompt a flood of demands for higher pay from hundreds of thousands of staff working for other employers. The Equal Opportunities Commission, which backed the seven secretaries and typists in their fight for equal pay, said yesterday that the ruling was a warning to employers to review their pay structures.

In its unanimous ruling, the London tribunal said the bargaining processes which led to the difference differences in pay was "tainted by direct sex discrimination." It added that the inequality in earnings between sexes in companies throughout Britain "derives partly from the under-valuation of work in predominantly female occupations and from the weaker collective bargaining power in such occupations."

Lloyds, which employs more than 5,000 secretaries, is considering an appeal. It said it had always considered itself an equal opportunities employer and believed its secretaries were paid a competitive salary.

The company had previously abandoned its original argument that the women's jobs were not of equal value to that of the messenger. It said, however, that the pay gap was justifiable because it arose from the separate collective bargaining arrangements which existed for clerical staff and messengers.

Yesterday's decision is the most significant ruling on the issue since five Law Lords ruled in May 1988 that Ms Julie Hayward, a shipyard cook, was entitled to pay parity with male workers. That case was significant because it established a precedent that additional benefits other than pay should not be taken taken into account.

Top fund managers plan new association

By Richard Waters

The UK's most powerful fund managers are planning a new trade association which would cut across the divisions which currently exist in the business.

The oew body will be open to all those who manage funds on behalf of others, regardless of whether they are part of investment banks, insurance companies or other bodies, said Mr Robin Hutton of the British Merchant Banking and Securities Houses Association.

Although the BMBA was involved in the original planning, the association, to be known as the Institutional Fund Managers Association, will operate independently.

Currently the BMBA, the Association of British Insurers and the National Association of Pension Funds all represeot different sections of the industry through their investment committees. The steering committee for the association includes Prudential, Robert Fleming and Mercury Asset Management.

Chancellor defends his EMS plan

By Simon Holberton, Economics Staff

MR NIGEL LAWSON, the UK Chancellor of the Exchequer yesterday defended his ideas for modifying proposals for European economic and monetary union and denied that they were forced upon him by Mrs Margaret Thatcher, the Prime Minister.

His proposal, which was given a cold reception at Antibes, did not relate to retail transactions, such as foreigners paying for a pub lunches in French francs or D-Marks, he said. Instead it referred to ending restrictions on savings and promoting the free use of whatever European currency a business wishes in its activities.

The Chancellor's idea was presented as an alternative to stages two and three of the Delors report on economic and monetary union which chart moves towards the creation of a European central bank, a common currency, and EC oversight of national budgets.

However, he said there was a growing awareness in Europe that the Delors plan would restrict the freedom of Governments and was undemocratic.

Voluntary queueing system set up for London share issues

By Richard Waters

THE CITY of London has set up a voluntary queuing system for new issues of shares and other sterling securities to replace the compulsory one abolished in this year's Budget.

This follows calls from issuing houses for new arrangements to ensure that two or more share issues do not clash. Such overlap creates disorder in the market and makes it difficult for underwriters to give proper attention to each issue before them, it is claimed.

The old queue, policed by the Bank of England, was required under the Control of Borrowing Order. Its abolition has left a free-for-all - although the Stock Exchange could not point yesterday to any examples of congestion in the market.

The new arrangements will also be overseen by the Bank of England, which has become involved at the invitation of the Stock Exchange and the British Merchant Banking and Securities Houses Association.

The BMBA, which represents most issuing houses, said that it was unable to organise the queue itself because of the danger of information leaking out.

Under the new system, the sponsor of an issue worth over £20m would tell the Bank about the deal. A second firm planning an issue at the same time would be told of the overlap: if it refused to choose another date, the first firm would be contacted. If neither backed down, the Bank would in some cases put the two firms in contact with each other to sort the matter out. The arrangement will not be compulsory. However, both the BMBA and the Exchange said they would "expect" their members to comply.

● THE Independent newspaper is seeking to persuade the Stock Exchange that it should be allowed to restrict any one shareholder to 15 per cent or less after its planned flotation next year. Mr Andreas Whittam Smith, editor, said yesterday there were precedents for such a restriction.

Euro-houses face legal quandary, Page 33

'Significant' rise in pay settlements

By Charles Leadbeater, Labour Editor

UK PAY settlements have risen significantly during the last year from the 6 per cent level which prevailed in 1987-88, according to a survey published today.

The survey by the Labour Research Department, the British trade union funded research group, covered 567 agreements in the private and public sectors which set the pay of nearly 11m workers.

The report says the rise in inflation from 5.7 per cent in August 1988 to 8.2 per cent this July is likely to feed pressure for higher settlements in the coming year.

It says that "As the bargaining round ended, negotiations were taking place in a totally different atmosphere than at the start. This will spill over into the start of the new bargaining year this autumn."

Democrats back European charter

By Our Political Staff

THE PROPOSED European social charter to protect workers' rights yesterday received overwhelming backing from representatives at the Liberal and Social Democrats conference at Brighton.

They also strongly criticised much of the British Government's employment and trade union legislation.

Mr Jim Wallace, MP for Orkney and Shetland and the Democrats' employment spokesman, said that Britain could lose some of its best employees who would go to work in other Community countries unless they were given equivalent rights and protection at work.

The single market had to be meaningful to ordinary people as well as hnsinessmen, he said. The Government's approach to the social charter was negative and concerned with only a narrow range of people. This was reflected in its most recent employment and trade union legislation which reduced rights at the workplace at a time when they should be extended.

Ms Margareta Holmstedt (Calderdale) said the results of the last elections to the European Parliament showed that there was strong public support for the social measures proposed in the charter.

The rights of British trade unionists had always lagged behiod those in other European countries.

The EC provided the only defence agaiost Thatcherism and the social charter would provide these rights. She forecast that the Government could not win its fight against the charter. There were only two other Conservative governments in Europe - in Greece and Denmark - and the legislation could he passed hy majority vote.

Representatives overwhelmingly passed a motion welcoming the single European market and supporting the social charter to protect the right to organise, take strike action, have collective bargaining and participate in setting employment conditions.

●EXPENDITURE on the National Health Service should he increased immediately by £2bn, according to Mr Ronald Fearn, MP for Southport, and health spokesman for the Social and Liberal Democrats.

Labour Party membership falls sharply

By Michael Cassell, Political Correspondent

MEMBERSHIP in the opposition Labour Party last year fell sharply, presenting an even greater challenge to the leadership's ambitious plans to register one million members before the next general election.

A report prepared hy Labour's national executive committee, to be put to delegates at next month's annual conference, shows that party membership fell hy nearly 8 per cent last year to just under 266,000.

The fall was the higgest since 1981 and reflected the decline in trade union membership and the party's low standing in the country following its general election defeat the previous year.

Party sources were emphasising yesterday, however, that the national recruiting campaign which was launched in January by Mr Neil Kinnock, the Labour leader, has so far this year attracted 25,000 new members, offsetting the 1988 drop in membership.

Since the beginning of the year, people have been ahle to join the party at local branches, through trede unions at half-price subscription rates and by epplying directly to regional offices or national headquarters.

Recruitment is expected to receive a boost if the Brighton conference is a success, although party officials do not now expect the year-end total to finish much above the 300,000 level recorded in 1985. A decade ago, Labour boasted a membership of over 650,000. Mr Kinnock forecast that party membership would rise to around 600,000 hy next spring.

Air Europe applies for transatlantic licences

By Paul Betts in Paris

AIR EUROPE, the British airline owned hy Mr Harry Goodman's International Leisure Group, is stepping up competition in transatlantic air travel hy applying for licences to operate its first scheduled long-distance services.

The airline announced yesterday that it had applied to the Civil Aviation Authority for licences to fly from regional airports at Gatwick, Manchester and Glasgow to destinations in Canada, the US, Mexico, Nassau, Bermuda and New Zealand. The issuing of the licences could signal the beginning of a new fares war on husy transatlantic routes.

Air Europe's move is expected to be followed soon hy other independent airlines. British Midland is expected to disclose today a new joint venture involving transatlantic services with SAS, the Scandinavian airline which owns 24.9 per cent of the British airline, and possibly a third party.

These moves coincide with a spate of cross-shareholding and co-operation agreements between major European airlines and US partners designed to secure a greater share of transatlantic traffic.

Airline industry analysts said Air Europe, which had successfully expanded its European scheduled airline services during the last two years, had been widely expected to make a move on long distance flights, with its new Boeing 757 extended range aircraft and the McDonnell Douglas MD11 due to be delivered in late 1990.

Mr Goodman yesterday signalled a possible fare-cntting offensive. However, some industry analysts suggested Mr Goodman was taking a major risk hy taking on the major airlines on some of their key long distance routes.

Dublin to press Britain over intelligence leaks

By Our Belfast Correspondent

SECURITY matters will dominate a meeting of the Anglo Irish Intergovernmental Conference scheduled for Dublin on Friday.

Irish ministers will press their British counterparts to explain what action is being taken to stem the alleged flow of intelligence information to Loyalist para-military organisations.

The Royal Ulster Constabulary said yesterday a senior officer had been appointed to investigate the disappearance of a file on Irish Republican Army suspects from an Ulster Defence Regiment base at Ballykinlar, County Down.

Mr John Cope, Northern Ireland Security Minister, said yesterday the Ballykinlar incident was very damaging to the security effort.

The disclosure follows claims by the Ulster Freedom Fighters, an outlawed Loyalist terror group, that it used security force documents to target Mr Laughlin Maginn, a Roman Catholic shot dead in August.

Nationalist politicians have demanded an independeot inquiry into the matter and Mr Gerry Collins, the Republic's Foreign Affairs Minister, said the issue of security force links would top this week's agenda.

The Irish government will also be raising the case of Cameron Hastie, a Scottish soldier allowed to remain in the British army after being convicted of supplying information likely to be of use to terrorists.

The use of plastic bullets in Northern Ireland following the death of a 15-year-old schoolboy last month is also expected to be on the agenda.

Mr Peter Brooke, Northern Ireland Secretary, will be attending his first meeting as co-chairman of the confereoce.

UK NEWS

Figures reflect impact of Britain's warm summer

High interest rates keep UK sales in the doldrums

By Peter Norman, Economics Correspondent

HIGH interest rates and exceptionally warm summer weather kept Britain's retail trade firmly in the doldrums last month, according to official figures yesterday.

The Central Statistical Office said its provisional estimate of retail sales volume showed a seasonally adjusted increase of only 0.4 per cent in August compared with July and a 0.9 per cent gain compared with August last year.

August's modest pick-up in sales after a fall of around 0.5 per cent between June and July was foreshadowed in last week's Confederation of British Industry/Financial Times distributive trades survey. Yesterday's increase was fractionally below the consensus expectations of City analysts, however.

Retail sales in the three months to the end of August were down 1 per cent compared with the previous three months. Thst was the first such fall since March 1984. Sales in the latest three months were 1.1 per cent higher than in the same period of 1988, the lowest rate of increase since June 1982.

Government statisticians said that sales of household goods were particularly depressed in August, reflecting stagnation in the housing market.

Yesterday's news, providing further proof thet the Government's counter inflation strategy is successfuly curbing consumer demand, had little impact on financial markets.

It was accompanied by other official figures which showed an unexpected 0.3 per cent drop in manufacturers' input prices for fuel and raw material prices last month and industry's factory gate prices running at an unchanged 4.8 per cent annual rate.

The seasonally adjnsted index of retail sales volumes stood at a provisional 121.5 in August (1985 = 100) after 121 in July.

●d3 Inflationary pressures in manufacturing appear moderate with official figures yesterday showing an unchanged monthly rise in prices in August which left factory gate prices 4.8 per cent above their level of a year ago, writes Simon Holberton.

The Central Statistical Office said that its index of home sales rose a provisional 0.3 per cent last month, the same monthly rise as in June and July. Excluding the food, drink and tobacco industries, factory gate prices rose 0.3 per cent to stand 5.4 per cent above their level in August last year.

First joint venture in Gibraltar opened

By David Barchard

THE FIRST ever joint venture in Gibraltar by a British and a Spanish bank was officially opened yesterday by Royal Bank of Scotland and Banco Santander Group.

The two banks, which a year ago announced an alliance in European markets, have each contributed half the £5m capital of the Royal Bank of Scotland (Gibraltar) and will specialise in offshore and expatriate banking services.

"As far as we can discover, this is not just a banking event. It seems to be one of the first joint ventures of any sort between British and Spanish companies in Gibraltar," said Mr Alwyn James, spokesman for RBS. Don Emilio Botin, chairman of Banco Santander, and Sir Michael Herries, chairman of RBS, presided over the opening.

Sell-off campaign to 'cost taxpayer £2bn'

By Michael Cassell, Political Correspondent

THE opposition Labour Party claimed yesterday that the taxpayer faced a total bill of more than £2bn in expenses incurred as part of the government's continuing privatisation programme.

Mr Gordon Brown, the party's treasury spokesman, claimed that the cost, which included advertising and fees to City of London advisers, was equivalent to estimates for the backlog of capital repairs required within the national health service or to 1p on income tax.

Labour claims that the total privatisation bill for promotion and City fees up to this year was just over £1bn but says the figure will double by the time water, electricity and the remainder of British Telecom have been sold off. Water and electricity alone are expected to involve more than £100m in advertising charges.

Mr Brown said the £2bn calculation, based on a study of National Audit Office figures for flotations carried out so far, was the first assessment of the cash being paid out by the Government to advertising agencies, banks, underwriters and stockbrokers.

He added:"Privatisation has become the ad man's dream and the city's biggest pay day. While the biggest privatisation beneficiaries are in the city and in ad agencies, the losers are taxpayers who have been subsidising some of our richest advertising agencies and city institutions".

Labour intends to maintain its campaign of criticism aimed at high levels of government spending on what it sees as party propaganda, rather than public information. It is seeking an investigation by the Commons Public Accounts Committee and has also referred the issue to the Independent Brodacsting Authority.

In Brief

First £100 interbank cheque card launched

THE FIRST £100 cheque guarantee card to operate within Apacs, the interbank clearing system, was launched by the Trustee Savings Bank yesterday.

The £100 guarantee is carried on TSB's Visa debit card, which carries the brand name "Bankcard" and will be available to the bank's 4m current account customers.

Apart from cheque guarantee, the card can also be used for cash machine witbdrawals, and debit card payments through the Visa system.

Footwear struggles

THE beleaguered UK footwear industry is struggling against a continuing increase in imports and a aharp downturn in orders as it enters the autumn trading period. The latest statistics from the British Footwear Manufacturers Federation show that the condition of the industry, concentrated in the east Midlands and tha north-west, deteriorated significantly in the first half of 1989.

Reuters man dies

SIR Christopher Chancellor, journalist, editorial manager and businessman who died at the weekend aged 85 played a key role in the development of Reuters, the international news agency. Sir Christopher, whose father Sir John Chancellor was a distinguished colonial administrator, was a central figure in strengthening the financial base of the news agency by selling the service more widely round the world while at the same time underpinning its independence from the British government.

Wine sales up

BRITAIN'S wine drinkers are forecast to consume a record 1bn bottles this year according to figures pnblished by the Wine and Spirit Association. Sales are up by almost 6 per cent on last year with the sunny summer causing an increase in demand for sparkling wines and lower alcohol wine drinks such as spritzers.

Soccer business at United

Paul Cheeseright looks at a new force in British football

Michael Knighton sees himself as one of a new breed of British football club owner. Scholar at the Tottenham Hotspur club, Murray at Glasgow Rangers, Mercer at Heart of Midlothian, Duff at Hibernian and now Knighton at Manchester United.

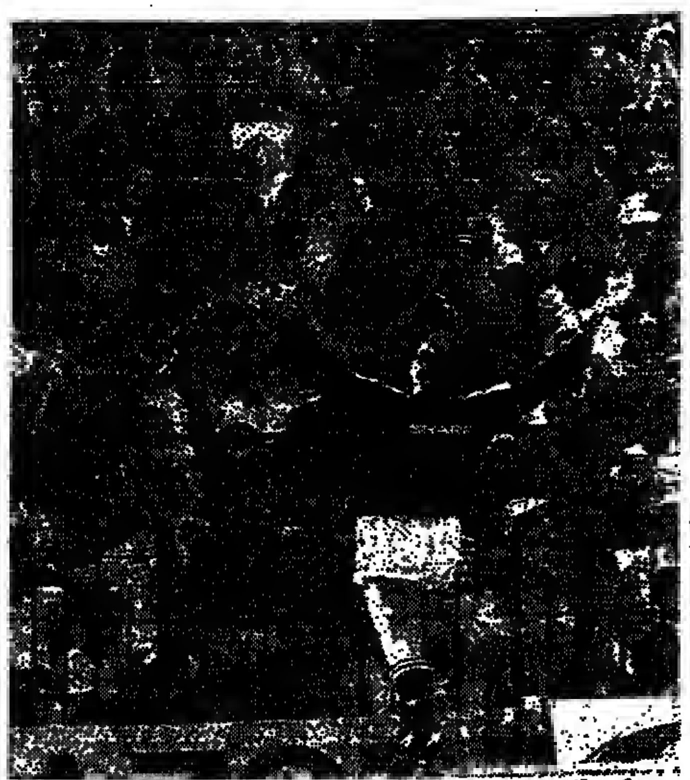
They have in common the belief that football is a business not a toy; that they are in the sporting industry. "We are investing in the industry which has major pulling power that has not been exploited," Mr Knighton said.

His target is to make Manchester United, still one of the most loyally followed British football clubs, a £150m ($231m) business in 15 years. He has a long way to travel. Turnover in the year to July 1988, the last for which figures are available, was £7.58m; the pretax loss was £1.29m.

Buying a football club is at best an unorthodox transaction. In its last accounts Manchester United had net assets of £4.19m, but its most valuable resources – footballers – not on the balance sheet.

The players, Mr Knighton supposes are worth anything between £12m and £20m. Such vagueness is not surprising. It is difficult to value a delicate piece of sporting machinery like Neil Webb, who cost £1.5m but cannot play for six months because of injury.

Mr Knighton will not say how he concluded that Manchester United is worth £20.1m, the value of his £20 a share offer in September. The offer was accepted by Mr Martin Edwards, the ontgoing chairman who remains as chief executive, and owned just over half the equity. An offer document goes out to other shareholders in the next three weeks.



Manchester United chairman Knighton greets the fans. Last year the club spent £2.35m on new stars while in 1988-89 it paid £2.95m more on players than it received.

But Mr Knighton hurdles the question of immediate football club values. "We are huying potential", he said. "Manchester United is established commercially. We have the funds available and expertise available to take it further."

The "we" are Mr Knighton himself, Mr Bob Thornton and Mr Stanley Cohen and their corporate vehicle, to take over Manchester United called MK Trafford. Shareholdings in MK Trafford have not been finally settled hut Mr Knighton is adamant that his holding will never drop below 50 per cent: "I will always be the overwhelming senior shareholder."

Mr Knighton knows Mr Thornton becausa they are neighbours in Ayrshire. Mr Thornton, once chief of Debenhams department store, knows Mr Cohen, self-styled company doctor, because they work together, most recently at the Cohen-dominated company, Betterware Consumer Products where Mr Thornton is chairman.

The youngest and least known of the trio is Mr Knighton. "I'm not a City figure", he conceded. But questions about his personal wealth are met brusquely: "I've no idea how much I'm worth." followed by admission of haing "moderately wealthy".

His money is in property. "I've simply been investing very quietly in very desirable, very rare buildings with architectural merit." So he has a period property portfolio, some of which is used for husiness purposes and some for residential. And there is a 35 acres farm on the Isle of Man.

Some of this wealth is now being siphoned off into Manchester United. But to what extent the shareholders of MK Trafford are going to use their own money to give the club a capital injection is not clear. The new owners are already committed to the replacement of part of the football stadium – the Stretford End stand – and that will cost between £5m and £15m depending on the design chosen. They also have an urgent need to expand the commercial activities of the cluh to fill the financial gap which opens up every time Manchester United enters the players' transfer market.

This involves aggressive merchandising of the clnb name and expansion of the sponsorship arrangements with Sharp, the Japanese electronics group, and Adidas, the sports good manufacture.

But failure cannot be merchandised. Manchester United needs success on the field it has lacked of late. Till brighter playing days arrive the commercial plans which would bear fruit if the club became part of some future European Super League are likely to languish, like the team now bumping along near the bottom of England's fourth division.

London boom expected

By David Churchill, Leisure Industries Correspondent

THE London Tourist Board is urging leading property developers to build more botels in the London area to meet the potential increase in demand for tourists to the capital over the next decade.

The Board has written to the developers giving details of over 60 potential hotel sites on the edge of London which would be suitable.

Some of these sites already have outline planning permission for hotels, the Board said yesterday, or will be looked on favourably by the local authority. Others are existing buildings set in extensive grounds and suitable for conversion.

SW England threatened

By Hazel Duffy

The future competitiveness of the south-west of England is threatened unless the system of roads internally and their connections with other regions are improved, said a working party of the Confederation of British Industry, the employers' organisation.

The report, "Prosperity for the 1990s, the South West's needs", warned that business will decline unless the situation is corrected. Cornwall has no motorway, and the report said existing main roads are already "inadequate".

The Department of Transport is thought to be considering how to improve road links.

MANAGEMENT: The Growing Business

Professionals should not practise at running a business

Charles Batchelor on a management dilemma

When Manser Associates, a London-based architects' practice, appointed an office manager to handle the day-to-day running of its business the benefits soon became apparent.

For the first time someone was able to look at humdrum issues such as how best to pay the company's hefty professional indemnity insurance premiums. The manager reached agreement with the insurance company to spread the premium payments over the year. The interest saved by doing it that way paid for the office outing to Paris, says Jonathan Manser, one of the three directors.

Other, no less important, advantages have come in the two years since the manager was appointed. The directors can now devote more of their time to their professional work; invoices are sent out on time, reducing the size of the debtors' list; and if a letter has to be sent to chase a debt, then that is the manager's responsibility.

Manser, which has 10 qualified architects on a total payroll of 21 people, is typical of many small professional firms which are attempting to adopt a more business-like approach. In the accountancy profession mergers among the biggest international companies are leading to increased competition among smaller firms while lawyers, too, face challenges from the banks and the building societies in their core activities of conveyancing and probate work.

Many professionals are for the first time having to come to terms with the fact that they must manage their business better if they are to survive. Their task is not made any easier by the fact that many professional practices are organised as partnerships. The partnership structure offers certain tax advantages but can be difficult to manage and act as a brake on change.

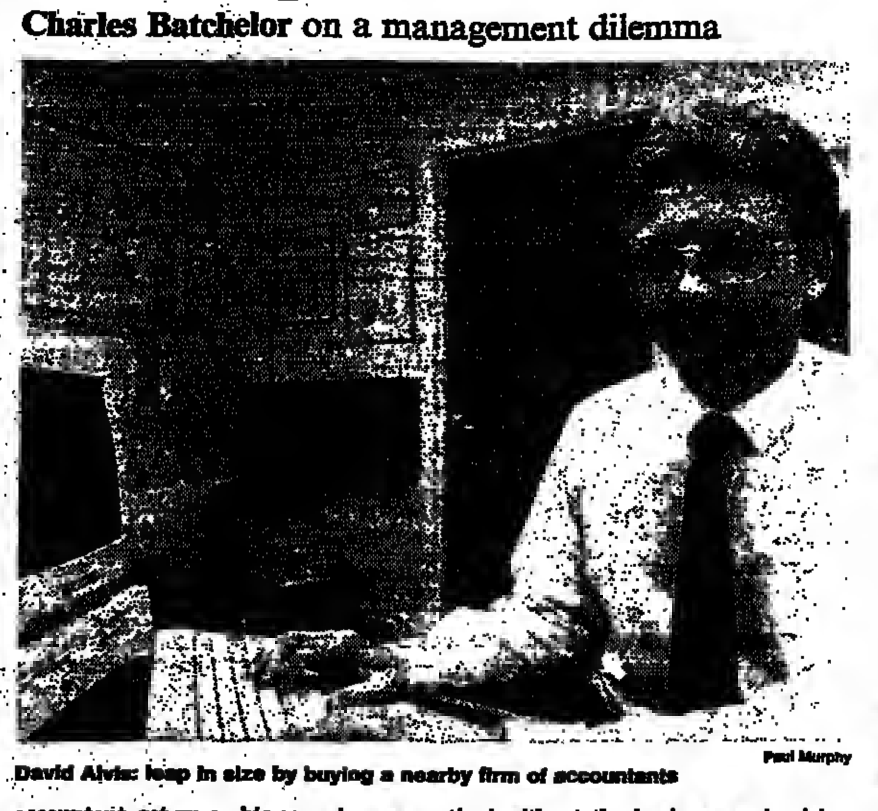
"It is difficult to persuade professional people to be businessmen," says Chris Magrath, a founding partner of Powell Magrath + Spencer, a West London firm of solicitors. "They tend to let things go and wait for a crisis. It is almost as if they didn't want to dirty their hands with business."

The professional organisations, which have long provided technical and legal advice and help for their members, are increasing their efforts in areas of management advice – but there is still a long way to go.

The Law Society recently produced a self-help management training kit for newly qualified solicitors and is considering opening an advice service for management problems. But it finds many solicitors are too busy, or perhaps do not see the relevance of taking management courses.

"Only a small percentage have ever had any formal management training," notes Margaret Platt of the Law Society's professional standards directorate. "Changes in the profession mean solicitors need to know more about marketing and finance and not just how to manage an office."

For the new professional firm the initial problem lies in finding clients. But even in the early stages the problems of managing growth arise. David Alvis, an accountant, set up on his own six years ago in Hampton, west London, and built Alvis & Company up to a point where he had 190 clients and a viable business.



Paul Murphy

David Alvis: leap in size by buying a nearby firm of accountants

But organic growth is a slow and painful way to grow, says Alvis, and he recently bought the 60-strong client list of another small accountancy firm in nearby Chiswick. Alvis, who employs one other qualified accountant and three support staff, reckons he paid top rate for the business he bought but says a leap in size – he now earns fees of £150,000 a year – was necessary to offer attractive career prospects to his staff.

It is usually at a later stage than this, however, that the real problems of managing growth arise. "In the early days everything is fine," says Chris Magrath. "You have your niche, a couple of secretaries and you get by without financial or management skills.

"But after a while you start to ask yourself what you are doing. Are you running a vehicle for your professional aspirations or a business?" After 12 years in existence Powell Magrath is at this stage, says Magrath. The firm's eight partners (out of a total staff of 55) face all the budgetary and personnel problems of a 'mini commercial operation' without the businessman's vision of where the firm should be going.

The firm needs to decide how to manage further growth and which areas of legal work it should expand into, says Magrath. But this runs into opposition from the older partners who are wary of change and fear it will lead to a lowering of professional standards. Magrath is keen to do more work advising international companies which have to move staff around the world but this contrasts with the firm's traditional field of advising less privileged clients, many of whom depend on legal aid.

At the same time as planning for the future, Powell Magrath must manage its present operations more effectively. Because it does so much work for less well off clients it works on narrow margins which must be carefully monitored if the firm is to make any profit at all.

These problems require a two-pronged approacb, according to Magrath. Specialists must be employed in fields such as marketing while at the same time the professional partners must assume responsibility for particular areas of the business. The partners must make sure their area of activity is running smoothly and must resist the temptation to concentrate on their professional concerns, says Magrath.

Powell Magrath and Manser Associates both employ office managers but find that they can still benefit from outside professional advice. Both practices use Blackstone Franks, a medium-sized accountancy company which has had to manage the problems associated with its own growth, to provide a dispassionate view of their businesses.

Blackstone Franks has helped Manser tighten up many of its management procedures and given it more control of the uncertain business climate in which architects work. Only one in 10 jobs which come into an architects' office ever get built and even then projects can be held up for months by planning delays, says Jonathan Manser.

Blackstone Franks is helping Manser introduce a computer system to handle invoicing and to analyse timesheets to ensure the architects are working profitably. This allows the individuals to judge in advance whether they will complete a contract in the time allotted or whether they must try to negotiate for more chargeable hours to be allowed.

Although Powell Magrath sees a role for specialist managers in its efforts to become more businesslike, professional partnerships tend to reject the idea of bringing in outsiders. Some will bring in an office manager for the more routine tasks though this does not always work out smoothly.

Blackstone Franks, which has nine accountancy partners in a total workforce of 120, has had office managers in the past. This did not work well, however, according to Lance Blackstone, one of the founding principals. The professional partners found it time-consuming to brief the manager on what needed doing and frequently felt they could have done the job better themselves.

The six senior accountancy partners now divide up routine management tasks among themselves. One is responsible for the reception area, another for the filing system, others for personnel matters. Lance Blackstone says these duties have not reduced the number of chargeable hours he works though he concedes that the company could not grow any larger and continue to operate under this system.

Conran Roche, an architectural, planning and property company employing 85 people with turnover of £4.9m, also introduced a more formal system of allocating tasks to its professional staff. The company's management style had not changed since it employed just five people and clear policies were lacking in areas such as recruitment and internal communications.

Conran Roche decided to involve its professionals in managing the company because they understood its needs better than anyone else and in order to give them a more broadly-based experience of the business, says Bob Pell, managing director. People are selected carefully, as much for their ability to manage as for their professional expertise or seniority. Only the finance director was recruited from outside the company for his technical skills.

A big hand on small firms

Charles Batchelor explains how the TECs are being hijacked

The Training and Enterprise Councils (TECs), the newly-established organisations which will provide industrial training and small firms support at a local level, are in danger of being hijacked by large companies.

This warning is contained in a paper* by accountants Peat Marwick McLintock following the recent establishment of the first 19 TECs out of a planned total of 80.

The UK Government's wish for the TECs to have strong management teams has meant that the councils have recruited their chief executives from 'the great and the good' of local industry, according to Colin Carmichael, joint author of the paper. These people are likely to have a big rather than a small business background.

There is also some evidence that while the TECs are seeking the views of the local small business community when drawing up their programmes they are not involving small firms directly in the planning process.

Crucial to their success in the small firms' field will be their ability to work with the local enterprise agencies which currently provide a range of services to small start-up companies.

"The process is being driven by the big firms," says Carmichael.

The Peat study says three things are required if the TECs are to succeed:

● They must create a genuine consensus in their areas involving local training, education and voluntary bodies and employer and employee organisations. Individual employers of all sizes, including small and medium sized employers who previously have not been involved in local training activities, must be persuaded to contribute.

● They must make a thorough assessment of the local labour market including future training needs and the resources available to meet this need. In addition changes in the labour market must be monitored in a regular basis.

● The staffs of the TECs, many of whom will have transferred from the Training Agency, must develop new skills and attitudes so as to be able to adopt a more commercial approach to their work.

It is important for the TECs to be seen as a break from the past, when training services were provided centrally by the government-run Training Agency, if they are to succeed, Peats said.

Advice for late starters to 1992

FEW COMPANIES will have missed the mass of information which has come from the Government and private consultants on the subject of 1992. But for those business owners who are making a late start in responding to the challenge of the single European market or who want a concise overview of the progress towards European harmonisation, Your Business in 1992* offers a handy guide.

Somewhat artificially the book offers two strategies for Europe – one defensive, the other offensive. Readers may ignore this distinction, however, and pick the most appropriate elements from both.

The defensive plan starts with a preliminary investigation of the free material available on the subject of 1992. This should be distributed and read within the company. A senior executive, preferably at board level, must be appointed to head an action committee. Department heads should then meet to discuss their initial impressions.

The company should then move on to study a copy of the 300 proposals contained in the 1985 White Paper 'Completing the Internal Market.' The stage which the various proposals have reached should then be checked with organisations such as the Department of Trade and Industry, trade associations and the British Standards Institute.

The company's action committee must then decide which proposals will affect the company and ask the relevant department heads how they think the company should respond and what this response will cost. These proposals should then be combined into a fully-costed business plan.

The offensive strategy starts with an analysis of the company's objectives, an audit of its products, markets, personnel and finances and then moves on to a study of the potential of the new markets which should open up.

Would-be exporters must check whether their products or services match the preferences of potential markets; that they meet national technical standards and are of the right quality and price, the book suggests.

Readers should not be put off by the breathless gallop through Europe's economic history in the book's opening chapter. Subsequent sections contain useful information on the institutions of the European community and sources of advice and assistance.

**By James Dewhurst. Published by Rosters, 60 Welbeck Street, London W1M 7HB. 304 pages £8.95 plus £1 p + p.*

Charles Batchelor

In brief...

■ The role of the entrepreneur in economic development and the modernisation of small business are two of the subjects to be discussed at the 16th International Small Business Congress to be held in Sao Paulo, Brazil from October 22 to 25.

Participants will include government officials, representatives of private sector organisations and academics from 40 countries.

Contact SH Congressos e Eventos, R. Leopoldo C. Magalhaes 1037, 04542 Sao Paulo, Brazil. Telefax 55 11 239 0067.

■ The fifth Women in Business Exhibition will be held at the Novotel, London W6, on November 10 and 11.

A one-day Returners' Workshop will be held for women returning to work after a career break.

Other seminars will cover personal effectiveness, public speaking and starting a small business.

Contact Ann Leeflang on 01-688 9966.

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It operates from 3 sites: Victoria Deep Water Terminal, Greenwich; Dowell's Wharf, Deptford; Carpenters Road, Stratford. Additional sites are available if required.

- Turnover 1988 – £25 million
- 90% of turnover is exported to established customer base
- Deep water moorings
- 2000 HP Lindemann Kondirator capable of fragmentising 5000 tonnes of heavy grade scrap per week
- Harris 2205 (5' throat) high capacity heavy duty shear
- Other plant includes second fragmentiser, mobile heavy lift cranes and spares, static cranes and balers
- Stock

For further information, contact the joint administrative receiver: Mr A R Houghton.

Touche Ross
55/57 High Holborn, London WC1V 6DX.
Tel: 01-405 8799. Fax: 01-831 2628. Tlx: 261296 TR CHAN.
Authorised to carry on Investment Business by the Institute of Chartered Accountants in England and Wales.

Business For Sale
Long-established International Transporters

SPECIALISTS IN SOUTHERN FRANCE

The owners of one of the well-known London-based removals, storage and general haulage companies operating scheduled international services invite enquiries. Outright sale or merger basis envisaged. Present management available on agreed transition terms.

Principals only please write Box H5104, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE

North West based group of scaffolding companies with turnover in excess of £1 million. The group has an excellent reputation within the industry and a very broad customer base. Profits before tax and directors remuneration/pension contributions are in excess of £380,000.

Write Box H5097, Financial Times, One Southwark Bridge, London SE1 9HL

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The Joint Administrative Receivers offer for sale the business and assets of Salby Ltd., a company engaged in plastic injection moulding

* 10 State of art injection moulding machines from 15 to 380 tonnes.
* Leasehold premises in Woodley of approx. 6,000 sq. ft.
* Highly skilled workforce of 25 employees.
* Comprehensive customer list containing many "Blue Chip" companies.
* A full order book.

For further information please contact:

Martin Fishman or Peter Mills
Arthur Andersen & Co.,
P.O. Box 55,
1 Surrey Street,
London WC2R 2NT.

Telephone: 01-836-1200
Facsimile: 01-438-3771
Telex: 8812711.

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West One Home and Car Supplies Limited
In Receivership

The business and assets of the above company are aveileble for sale as e going concern. The company trades from leasehold premises in Bristol end Liverpool and is e retailer of motor parts, accessories and DIY products.

- Current ennualised turnover approximately £1 million
- Leasehold trading premises in Bristol and Liverpool
- Leasehold site in Derby (currently not trading)
- 26 employees

All enquiries should be addressed urgently to the Joint Administrative Receiver:—

R W Birchall FCA
Cork Gully
66 Queen Square
Bristol
BS1 4JP
Telephone: (0272) 277165
Fax: (0272) 307008

C&L Cork Gully

Cork Gully is authorised in the name of Coopers & Lybrand by the Institute of Chartered Accountants in England and Wales to carry on investment business.

By Order of the Joint Administrators
B A Gullfoyle F.C.A., F.I.P.A. & A J Sleight F.I.P.A.
of Geoffrey Martin & Co.
Re: Cloverdale Ltd.

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For Sale
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West Yorks

Cooked meat processing including beef, ham, turkey etc. Supplying wholesale & retail trades. Fully temperature controlled & equipped modern long leasehold works. Sales £2m p.a.

Business & Assets for sale

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On the instructions of the Secretary of State for Scotland, the Scottish Transport Group offers for sale its insurance and insurance broking businesses, comprising

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For further information please write to:-

Mr Malcolm Roxburgh, Commercial and Planning Executive, The Scottish Transport Group, Carron House, 114/116 George Street, Edinburgh EH2 4LX

The contents of this advertisement, for which the Scottish Transport Group is solely responsible, have been approved for the purposes of Section 57 of the Financial Services Act 1986 by Deloitte Haskins & Sells as a firm authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

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Director – Financial and Investment Services Division
Cripps Harries Hall, Solicitors
84 Calverley Road
Tunbridge Wells
Kent TN1 2UP
Tel: (0892) 515121
Fax: (0892) 515444

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Our client, with a national sales organisation and established investment products, seeks to merge with or acquire a small authorised trading or dormant UK life assurance company.

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Well established profitable company supplying commercial chemical products and solvent recovery services. T/O approx £1 Million. Excellent growth potential. Principals only

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Established Privately Owned Company. Based West London and Scotland with Management continuity if required.

- Blue Chip customer base
- Nationwide coverage
- Annual turnover approximately £1.5m
- Current year profit forecast £144,000
- Modern vehicle fleet
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For further details contact M. Peters.

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TRADING FROM 2 LEASEHOLD PREMISES IN THE BUSIEST RETAIL THOROUGHFARE IN JERSEY. THIS FAMILY BUSINESS WAS ESTABLISHED 40 YEARS AGO AND WAS TURNED INTO A LIMITED COMPANY IN 1986.

BOTH PREMISES HAVE BEEN EXTENSIVELY MODERNISED AND THE LEASES HAVE 14 YEARS TO RUN.

THE COMPANY HAS JERSEY AGENCIES FOR MANY LEADING BRANDS OF QUALITY WATCHES AND A VERY WIDE RANGE OF PRECIOUS STONES & METALS.

THE ESTIMATED STOCK VALUE IS £750,000 AT COST.

THE ASKING PRICE FOR THE COMPANY INCLUDING STOCK, LEASES, FITTINGS AND EQUIPMENT BUT UNENCUMBERED BY DEBTORS AND CREDITORS IS £1,100,000.

FOR FURTHER DETAILS PLEASE CONTACT
Ian Dove
READS Management Consultants Ltd
Wellington House, 17 Union Street,
St Helier, Jersey, Channel Islands

ESTABLISHED PRESSWORK AND SHEET METAL ENGINEERING COMPANY FOR SALE

Ideal opportunity to acquire an established private limited company operating in various specialist market sectors with an extensive blue chip customer base. Rapid expansion has led to a current annual turnover of £1.8M with potential for significant further growth in the short to medium term.

The company currently enjoys an order book in excess of £500,000.

Located in the West Midlands with easy access to the motorway network.

All enquiries to Box H5118, Financial Times, One Southwark Bridge, London SE1 9HL

CHRISTIE & Co

S.W. FRANCE Chateau	MAJOR NORTHERN CARE HOMES GROUP
Planning for hotel, golf course and housing - 336 acres. Spectacular property. Good communications. Tremendous mixed leisure opportunity. Offers over £1,500,000 (Brochure and video available) London Office Ref 092/1000 01-799 2121	4 freehold homes with a total registration of 184 plus 14 day care places. High fee rates commanded and achieved with profits in excess of £1 million. Offers in the region of £5 million Contact Thalia Turner at Manchester Office Ref 56/78201 061-833 3311

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TOOL MAKING AND ENGINEERING COMPANY (MANCHESTER AREA).

Due to group re-organisation the above company is available. Very well equipped with up-to-date plant and tooling. Healthy company with excellent profits. Present turnover £500,000 plus. Current order book full, present customers are blue chip and household names.

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An opportunity exists to acquire the controlling shareholding together with full board control, of a manufacturing PLC with a market capitalisation of £8 million circa. Price for tha stretagic ahareholding, £2.5 million circa.

All preliminary anquiries to be aupported with avidance of financial ability to concluda transaction.

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20 acre parkland setting. 100 bedrooms. Conference facilities for 1000. Available as goin concern. Also suitable (subject to planning) as corporate HQ, training centre, investment. Offers over £18 million freehold complete. (London office).

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* Long established with excellent customer profile.
* London based.
* Privately owned.
* Record of increasing profits with growth potential.
* Current profits in excess of £300,000

Alan Morris Consultants
Tel: 0923 855451

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PET FOOD BUSINESS FOR SALE

Established pet food business based in the South West.
Turnover approx £1.5M per annum from sale of dried animal foods and manufacture of own meat products.
Good potential to expand business.

Enquiries: Mr A F Gosden,
KPMG Peat Marwick McLintock,
Dukes Keep, Marsh Lane,
Southampton SO1 1EX
Phone: 0703 631465
Fax: 0703 223547

A salmon aquaculture operation is for sale

at a price to be negotiated in excess of £3.0m, in south western New Brunswick, Canada, on the Bay of Fundy. The operation currently produces 240 tons of fresh salmon annually, with an ultimate projected capacity of 420 tons. The operation is favourably situated in high quality water, has good operational logistics, and generates excellent returns.
Seriously interested parties are asked to telephone or Fax for a copy of the prospectus at Tel (506)-456-3307; Fax (506)-456-2448, CANADA.

ELECTRICAL AND ELECTRONICS COMPANY FOR SALE

A small but well established, reputable and profitable private limited company acting as "specialist" distributor of Electrical and Electronic products for industrial applications, for sale due to impending retirement of proprietors.
Strong balance sheet. Excellent prospects of growth.
Ideal for similar distributor or as a member of a group who wish to enter/expand their activities from an already established solid base; alternatively for experienced, competent and ambitious individual(s) who wish to run their own business.
Situated about 20 miles N.W. London. Close to M1 & M25. Good premises available but could be relocated.
Write Box H5088, Financial Times, One Southwark Bridge, London SE1 9HL.

JOINERY MANUFACTURING COMPANY

Located in very pleasant East Midlands market town with anticipated T/O this year in region of £500K.
Modern offices, well appointed works on new lease. Modern machinery with extraction, skilled workforce, six commercial vehicles.
Manufacturers of quality conservatories, windows, doors, general joinery, mouldings etc.
Order book in excess of £100k.
Offers from principals only. Write Box F9208, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

EXCITING OPPORTUNITY SALE/ MERGER WEST GERMANY

Ladies garment manufacturer T/O DM 14 MILLION 50 yrs experience in the mkt. Export share - 40% pricing med-high suits Boutique/better class stores. Well known Brand in Europe.
Please contact (UK) Tel: (0865) 69440 Tlx: 94017748
Fax: (0865) 742461

FOR SALE

Electro-mechanical and electronic coin-operated timer manufacturing company. Suppliers to the T.V. and leisure industry. Reason for sale, owner retiring, could be interested in joining group company or similar. No agents please. Only principals need reply.
Write Box H5041, Financial Times, One Southwark Bridge, London SE1 9HL.

PRIVATE COMPANY/BUSINESS FOR SALE

Machinery Merchants, agents and manufacturers with £1m. Freehold modern factory/warehouse/office premises situated East Midlands. Profits this year should net £300,000 before tax. Owner wishes to retire but willing to nurse gradual handover. Price £2.5m + net current assets. Principals only.
Write to Box H5116, Financial Times,
One Southwark Bridge, London SE1 9HL.

Established Restaurant/Conference Centre

South East location – excellent communications.
Planning application made for 40 bedroom hotel extension.
Freehold for Sale. S.A.V.
Box No F9125,
Financial Times, Southwark Bridge, London SE1 9HL.

PRECISION TOOLMAKING COMPANY FOR SALE

T/o 400k, stable workforce location Midlands. Valuable site & plant. Owner retiring.
Contact: Mr Peter Oakley FCA
Wright & Co., 14 Forgate St, Worcester WR1 1DB
Tel: 0905-25467, Fax: 0905-25609

LAMINATING PLANT

We wish to dispose of a unique laminating plant suitable for laminating hard and soft closed cell foams such as neoprenes, natural rubber, nitrile etc which can be adapted for various cloth laminates and other processes.
We are willing to dispose of the plant itself or the entire business, which has £132,000 approved tax losses.
Principals only should write to Box H5093, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
MANUFACTURING COMPANY FURNITURE & KITCHEN COMPONENTS

Well established N/West company T/o £2.5m & growing - good profit record - modern premises with substantial amount of modern equipment.
All enquiries to
Barry Halpern FCA, Halpern and Woolf,
Chartered Accountants & Management Consultants,
Alberton House, St. Mary's Parsonage, Manchester M3 2WJ

-FOR SALE-
Very Profitable

WINDOW/DOOR COMPANY -
MANUFACTURING FOR THE TRADE ONLY
- Very broad customer base - (no large accounts);
- Turnover: around £3 million per annum;
- Projected nett (pre-tax) margin: 8% - 10%
- Established: 10 years;

Based in the Home Counties.
Young Management Team wishes to continue on a 3 year earn out deal basis.
Write to Box H5094, Financial Times,
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Well established, well managed ornamental tree nursery business in a well-known Scottish growing area.
270 acres with hardy nursery stock of regular ages. Sizeable farmhouse with extensive outbuildings and four cottages. Turnover £300,000 but great potential with good nucleus of stock capable of very high returns. Business for sale but would welcome joint venture with suitable partner to progress the business. Principals only need apply.
Write Box H5113, Financial Times, One Southwark Bridge, London SE1 9HL.

MOTOR CARS

Are you looking for a used high profile motor car?
Check the selection in the WEEKEND FT EVERY SATURDAY

MORTGAGE AND FINANCIAL SERVICES business for sale. Prominent leased offices 886 sq.ft. Well established concern with over 700 active clients. T/O in excess of £140,000. Lewes, East Sussex. Price £190,000. Clifford Dann Commercial (0273) 477022.

Offer for Sale

Well established, profitable, National Shopfitting and Building Company, with potential for further expansion. Based in the N.W. of England with a blue chip customer base.
Principal shareholder currently seeking offers in the region of £2 million.
For further details, write to Box H5101, Financial Times, One Southwark Bridge, London SE1 9HL

FREEHOLD HOTEL

Situated in a first class seafront location, very close to the Conference Centre and "The Lanes" area in Brighton.
All 15 double bedrooms have en-suite facilities and the Hotel was completely refitted and furbished throughout, 12 months ago. Furnishings and interior decoration are of a high standard.
Our business at the Hotel centres around the conference trade. The Hotel specialises in the provision of in-house conference facilities to small parties. Bookings are already running at 80% occupancy for 1990. Well-used trade is substantial.
The Hotel is fully staffed. Our client who has other commercial interests, provides only marketing services to the site. The business has been run by a family partnership until recently. Our client, who is confident of future profitability, is willing to discuss the needs of a sale whereby an appointment of the purchaser's price is linked to the profitability of the business in the 12 months following a sale.
There is enormous scope to develop the business further.
PRICE £895,000 complete s.a.v. Sole Agent.
Ref: F7/H1052
Anthony Jackson & Associates
Tel: 0344 52233 – 24 hour

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"Frame Factory". 3 fast frame shops. London. T/o £1½m. Operating profit £92K. Price £375K.

Internal Couriers Ltd provides internal mail system in Felixstowe Docks. T/o £180K. Good profits. Much potential. Offers sought.

Phone (0394) 273371

FOR SALE
LEISURE BUSINESS

Long established, retail mail order and some distribution. Turnover £1.1m, profitable. Good cash flow. South Coast stock purchasing offers trend worldwide.
Price for assets £750,000.
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Principals only write
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One Southwark Bridge,
London SE1 9HL.

FOR SALE

Small northern machinery installation and engineering company with annual turnover £150,000. Established 12 years with regular repeat business. Very profitable.
Write Box H5092, Financial Times, One Southwark Bridge, London SE1 9HL.

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For Sale

NW London High Street
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Regular Clientele, Modern Equip
High Profit Margin
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Turnover £300,000 p.a.+. Due to ill health of proprietor the assets and goodwill of this profitable business situated in N.W. London are offered for sale.
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Principals offer opportunity for participation in profitable shopping centers with secured return on investment. High asset appreciation. For photos and details contact Intereaco S.A. 20, Franscini Avenue, 6900 Lugano, Switzerland, FAX 004191-233325, or FAX: 201-478-2106 U.S.A.

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Controlling shareholder wishes to retire and sell. About £200,000. Central London office, experienced staff, effective tender list £3m approx. W & P. Excellent reputation.
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Long-established
International Transporters

SPECIALISTS IN SOUTHERN FRANCE

The owners of one of the well-known London-based removals, storage and general haulage companies operating scheduled international services invite enquiries. Outright sale or merger basis envisaged. Present management available on agreed transition terms.
Principals only please write
Box H5104, Financial Times, One Southwark Bridge, London SE1 9HL.

FOR SALE
Rubber Moulding Company

In the Sport and Leisure Sector
Patented Products sold internationally
Owners retiring, T/O c. £700,000
Interested Parties please write to:-
Collinsons
Chartered Accountants
21 Bennetts Hill
Birmingham B2 5QP

SUBSCRIPTION NEWSLETTER ON SOUTH EAST ASIA

Covering economic and political issues, with established team of expert correspondents in the region. For sale. Could interest business/newsletter publishers, consultancies, financially-oriented firms.
Write Box H5096, Financial Times, One Southwark Bridge, London SE1 9HL.

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Turnover £3M,
Operating profit £375K
Principals only write to:
Box H5043, Financial Times,
One Southwark Bridge,
London SE1 9HL.

SPANISH/UK COMPANIES FOR SALE

Electronic components distributor (Sp) T.O. $10m, Pharmaceutical/synthesis Company (Sp). Rubber Moulding Co (UK) T.O. £0.6m
Principals contact:
Colechurch (UK) Ltd,
2 London Wall Bldgs,
London Wall, London EC2M 5PP.
Fax 01-588 2718 Tel 01-628 4200

BUILDING/CONSTRUCTION COMPANY

Established reputable company, with substantial high quality order book. Owner wishing to retire, excellent management team.
Write Box H5102, Financial Times, One Southwark Bridge, LONDON. SE1 9HL.

Retirement Sale

Exciting old-established and prosperous London talent agency and management. Principal to stay on and give full training and/or act as consultant. Audited accounts available for inspection by serious enquirers. Principals only.
Please write to Box H5095, Financial Times, One Southwark Bridge, London SE1 9HL

FOR SALE, due to impending retirement,-

Small metal fabrication business, allied to the construction industry.
North London area. Turnover - £400,000 p.a. approximately.
4250 sq.ft. in two leasehold units.
Sound order book
Write Box H5111, Financial Times, One Southwark Bridge, London SE1 9HL.

RETIREMENT SALE

Well established, profitable and thriving Company based in the home counties, supplying to the Leisure Industry. Excellent growth potential. Freehold factory on an acre site. Asking Price £1.9m -
Principals Only Write Box H5112, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

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Situated in a North East City with excellent customer base and skilled workforce, manf. own products plus contract work. £75,000 for nett assets inc. property
Details Fax no.0400 81318 or Box H5087, Financial Times, One Southwark Bridge, London SE1 9HL.

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Old established Lincolnshire business with excellent transport fleet & extensive freehold warehousing. £1.2 million.
Details Fax No.0400 81318 or Box H5088, Financial Times, One Southwark Bridge, London SE1 9HL.

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practices for sale. GRFs from 50k - 200k. Across the U.K. Fully confidential buying and selling service by partnership est. 1979.
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Mayfair Solicitors for Independent Legal Advice
Fixed fee for initial consultation.
Tel: 01-287 6611
Fax: 01-494 0354
DX: 54251 Piccadilly 1.

PRINTED CIRCUIT BOARD MANUFACTURING

Well established small business, centrally situated and close to motorway network. Has the skills and equipment to double it's 150k turnover under vigorous management. Offers in the region of 100k required.
Details Fax No. 0400 81318 or Write Box F9205, Financial Times, One Southwark Bridge, London SE1 9HL.

GREECE - At Nafplion in Argolis, a brand new 4 bdrm villa with all amenities, 110sq.m. in area in 5,200 sq.m. of land with 200 fruit trees & automatic watering system, situated 2 km. from beautiful coast. £165,000. Apply: Mr. E. Andreakos, National Bank, Syndagma sq., 21100 Nafplion Tel. (0752) 28322

BUSINESSES WANTED

DAIRY PLANT

A rapidly expanding continental Dairy Company is looking for an English plant suitable for the manufacture of fresh dairy products. Ideal size would be approximately 20,000 sq ft, complete with cold storage, milk supply, effluent plant, normal services etc.
The buyer will also consider other food processing plants provided they are finished to high food grade standards and have the possibility of conversion to a dairy.
For further details, please contact:
MIKE MORRELL GmbH, Mühlstrasse 4,
D8918 Diessen am Ammersee, West Germany.
Tel: 010-49-8807 6002. Fax: 010-49-8807 8579.
or please write to Box No. H5098, Financial Times,
1 Southwark Bridge, London SE1 9HL. Principals and Owners only.

LAND FILL SITES AND WASTE DISPOSAL BUSINESS REQUIRED ANYWHERE IN THE U.K.

Write Box H5082, Financial Times,
One Southwark Bridge, London SE1 9HL

BUSINESS WANTED

Mimic Engineering company with large customer base, good order book and available finance, seeking to merge or acquire company in allied field.
Ideal company would have the infrastructure and management to merge or amalgamate with the existing business, and have a turnover in the region of £1/2M to £1M with growth potential.
An added benefit would be if the company has a customer base in process control.
Interested parties please write, in the first instance, to Box H5086, Financial Times, One Southwark Bridge, London SE1 9HL.

BUSINESS TURNOVER - £3M PLUS

Higher interest rates, Slow down in the Market, increased competition from Europe, Are these factors now starting to affect your business? Would you benefit from working within a larger engineering group, who could offer specialist knowledge, greater exposure, and a re-financing package?
Please write in strictest confidence to
Box no H5018 Financial Times,
One Southwark Bridge,
London SE1 9HL.

HEALTHCARE DISTRIBUTION COMPANY

Healthcare company seeks to acquire a company in healthcare distribution (excluding drug wholesaling). Areas of interest include such areas as dental equipment and supplies and optical products.
We would be pleased to hear from companies with profits between £300k and £3.0M. Management will be encouraged to remain and participate in new parent.
Interested parties should write to the group Managing Director and Chairman at Box H5081, Financial Times, One Southwark Bridge, London SE1 9HL.

WANTED

Trading company in food sector, subsidiary of Blue Chip Plc, seeks manufacturing Companies as well as UK or European Agencies, to expand business.
Write Box H5084, Financial Times, One Southwark Bridge, LONDON. SE1 9HL

MARKETING COMPANY WANTED

An expanding N/West family owned group of companies would like to acquire the whole or a substantial part of a small marketing company.
Tremendous opportunity to take over and expand the existing marketing efforts of the group both nationally & internationally.
Reply to: Barry Halpern FCA,
Halpern & Woolf
Chartered Accountants and Management Consultants
Alberton House,
St. Mary's Parsonage
Manchester M3 2WJ

DATA NETWORKS/ ELECTRICAL

A computer cabling/electrical installation company required by a company wishing to expand its services to the Manchester area. Either by aquisition or merger. Details to
WEL Group plc, Romney House, Romney Place, Maidstone Kent ME15 6LG

PLC

Diversifying seeks acquisition turnover £250,000 to £2.5M. Profitable or non-profitable. All companies considered dealing on a merchandising basis.
Write Box H4712, Financial Times, One Southwark Bridge, London SE1 9HL

QUOTED PLC

Interested in acquiring travel agency with circa £3-4m turnover. Must have IATA and ABTA licences. Preferred location London or Manchester.
Please write in confidence to:
Box H5080, Financial Times, One Southwark Bridge, London SE1 9HL

INTERNATIONAL FINANCIAL GROUP

interested in acquiring majority equity position in portfolio management company. Reply in confidence to our Australian office fax number 6175 387 142.

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ARTS

Making prints at Pont Aven

William Packer on the exhibition at the Royal Academy

All good things are said to come to him who waits, but not necessarily so if it is Art and he lives in London. Although London is hardly starved of great works of art, many major exhibitions on international tour now seem to pass it by. The great Gauguin retrospective which came to Paris from America last spring was just such a one, and so the appearance of one of that exhibition's ancillary treats in the Fine Rooms of the Royal Academy is all the more welcome.

Gauguin and the School of Pont Aven is drawn from the collection formed for the Friedart Foundation by Samuel Josefowitz, who found, some 30 years ago, that his interest in prints made by members of that school was not exactly widely shared. The relish with which we now view these lovely things is only made the more piquant in the knowledge that so many were bought for a song; for some, there was no need to sing at all.

The versions of this exhibition shown in America and then at the Bibliothèque Nationale in Paris were confined entirely to the prints. Here at Burlington House (until November 19, then on to the National Gallery of Scotland, Edinburgh; sponsored by Banque Indosuez and W.I.Carr) we are given a fuller treatment of the subject, augmented not only by recent additions to the collection, but by related paintings naturally unavailable during the currency of that larger Gauguin show.

Gauguin's is naturally the dominant creative presence, for the power of hindsight and what is by now a long lifetime of critical study are factors hard to dismiss out of mind. But whatever the subsequent justification, in terms of reputation and absolute achievement, it is always a mistake to assume a contemporary or consistent pre-eminence. Gauguin, the symbolist he became, is without question one of the great figures in the history of the art of the recent past, and even in the late 1880s, nearly 40 and yet still casting about for his true direction as an artist, he was already the outstanding painter of that small group that had come together in furthest Brittany. But that is not to say that his was always the formative and determining influence, nor that he took nothing from the practical example and theoretical ideas of his fellows much younger than himself.

Of nothing is this more true than his print-making. He was to become a master, most especially of the relief print, and the great retrospective held many beautiful examples of the extraordinary woodcuts he made in the South Seas. But he had made only a dozen prints in all before he left France, and at Pont Aven in the 1880s he was still very much the tyro. The others may have responded to his imagery as their synthesist and symbolist principles developed, but it was during his absence in Paris through the early 1890s that his own techniques developed, while their print-making of all kinds – cuts, etchings, "zincographs" (lithographs but made on much cheaper zinc plates) – flourished.

Detail from "The Artist's Wife" by Robert Bevan

Alastair Muir

The work on show by all the artists of the school naturally reflects its engagement with the shared aesthetic. "I love Brittany", wrote Gauguin in 1888; "I find there the savage, the primitive. When my clogs resound on the granite soil, I hear the muffled, dull, powerful tone that I seek in my painting." The ordered simplicities and ritual certainties of the Breton peasant life struck the same ponderous, symbolic note in the imaginations of Bernard, Sérusier, Seguin and Delavallée, and insistently enough in their case to drown out that more distant, atavistic beat, that would finally draw Gauguin away, dreaming of the true, primitive life.

That Breton primitivism, such as it was, served also to supply the emotional, symbolic cloak for the formal sophistications of synthesism, that pointed inexorably towards abstraction within a generation. "Remember," said Maurice Denis, "that a painting, before being a battle horse, a nude or any kind of anecdote, is essentially a flat surface covered with colours organised in a certain order." Delivered apropos Synthesism in particular, it is a truism of all painting, and here we can see the artists of Pont Aven looking to the Japanese print, medieval woodcut and illumination, folk art and the popular broadsheet for just such reference and example, and such near contemporaries as Millet and Puvis de Chavannes besides. Such matters are interesting enough, but the greater excitement in the show lies with the revelation of the individual artists, in particular those not so familiar or, perhaps, those not hitherto so closely regarded, or seen in this context. Pont Aven was never an exclusive society. Artists came and went: Gauguin himself was only there intermittently, between 1886 and 1891, and 1894-5. There were several British artists there from time to time, including several, such as Stanhope Forbes, who came over from Newlyn in Cornwall. The two Britons represented here are the young Robert Bevan, and the Irishman, Roderic O'Conor, who is a true star. Indeed, his etchings, supported by the magnificent Pont Aven landscape lent by the Tate, are the outstanding group within the show – simple, vigorous and direct, wonderfully authoritative.

Detail from "Seated Breton Woman" by Henri Delavallée

But he is only questionably alone in that distinction. The calm, expansive landscapes of the self-taught Maxime Maufra are something of a discovery, and while Emile Bernard is close to Gauguin in both idea and practice, Armand Seguin declares himself the more substantial artist-as-printmaker, as much in technical range and variety of subject as in the actual quality of particular works. An emphatically simple reclining nude is especially fine and his small, simple portrait etchings of young Breton girls are exquisite.

This is not a large show, but one to linger over and savour nevertheless.

Maxwell Davies's Fourth

ALBERT HALL/RADIO 3

A critic hearing for the first time an important new symphony in four linked movements lasting nearly forty-five minutes is well advised to avoid final-sounding pronouncements. What emerged unarguably from the première of Peter Maxwell Davies's Fourth Symphony at the Proms on Sunday is the composer's comprehensive economy of means.

He is at the stage of compositional maturity where little can be made to go an extraordinarily long way; the work, a clean-cut stretch of discourse for Classical-symphony forces, is replete with moments in which a single line, a single strand (or combination) of colour set amid tellingly spaced silences, is heard to take on a weight of expressive meaning that enriches every musical "event" with long-term significance.

The Fourth is unlike its predecessor symphonies in being written for the Scottish Chamber Orchestra (of which Maxwell Davies is Associate Composer-Conductor); the intentional reduction in available forces has clearly provided a new burst of encouragement to an already longheld penchant for "Northern" leanness of sound and substance. The physical environment of the symphony is a bare, bleak land-and-seascape, not filled with spectacular vistas or fiery contrasts of bright and dark as were the earlier Maxwell Davies essays in the form. At the same time the masterly control of colour makes each sound-image stand out with new distinctiveness.

The composer has described particular sources of inspiration – the sea, a Medieval plainchant (which supplies the argument with all its harmonic and motivic content), and the early-morning sighting, at his Orkney island home, of a golden eagle poised to take flight. The picturesque elements – pairs of horns and trumpets constantly dotting out in brief, brilliant fanfares; the cross-rhythmic swirls and eddies of the magnificent second-movement Scherzo, pinioned on the timpani; the low light-flickers of alto flute and clarinet at the start of the gravely beautiful Adagio – are at once perceptible and finely absorbed into a continuous musical fabric. This may be a symphony inspired by time and place, but it is by no means a "programme" work.

What a first hearing left uncertain is whether the symphonic appellation answers exactly to the listener's sense of the work's unfolding. The shape is appreciable in Classical terms, even though Maxwell Davies has "sundged" (his own word, in a pre-Prom talk) the boundaries between movements by gathering there pools of material either recalled from earlier or prematurely introduced. But the halting exposition, in Maxwell Davies's characteristic vein of self-interruption and even disruption, sets up expectations for a fourth-movement conclusion which will cap the argument with long-lined melodic peroration.

Instead, there is an inconclusive feeling to the finale, which after a chorale-like plainsong summation seems simply to ebb away – it is as though Maxwell Davies is intentionally resisting the drives and demands he has created. Future performances, particularly those less hard-pressed and uncomfortably string-balanced than the Scottish Chamber Orchestra's on Saturday, conducted by the Associate Composer-Conductor himself, will no doubt explain whether such symphonic inconclusiveness is part of the work's fascination, or whether it was merely the consequence of a first-time listener's incomplete understanding.

Max Loppert

The Purity Game

MINERVA STUDIO, CHICHESTER

The marvellous Minerva is both a compacted version of the parent Chichester Festival Theatre and a fine new flexible arena, in spite of the visible hreezeblocks and regulation red and grey finish. A first visit corroborates everything Martin Hoyle has already said on this page. Two cheers for sponsorship.

Trouble is, what do you put in it? All reports confirm that, in this first season, the Botho Strauss version of Gorky's *Summerfolk* has been the best show; but can it *possibly* have come anywhere near the Peter Stein Schanbühne production for which Strauss prepared the script? There has been Marivaux and *Love's Labour's Lost*, and a re-hash of Caryl Churchill's *Cloud Nine* for which the andience was unprepared and the critics too grown-up.

Now a new musical, a copper-bottomed disaster and the most compulsively excruciating evening I have spent in a theatre since Adrian Mitchell's Lope De Vega musical at Watford last year. Gillian Plowman is a no doubt promising antbor who has just won the Verity Bargate Award, and that is as positive as I can he. With dreadful music by Corin Bnckeridge and lyrics to match by director Will Cohu, *The Purity Game* is an embarrassing attempt to send up the soaps, as in "The Partridge Family meets the Twilight Zone."

Neighbours in Bedfordshire collude in promoting their supposedly virginal offspring in a moral crusade, the selling of purity. The real world is chock full of AIDS, violence, child ahuse, drugs, acid rain and terrorism. Get on down and get celibate.

What actually happens is that Deborah Beaumont's virginal Lolita feigns pregnancy to thwart tbe randy unemployed father, Eddie (Michael G Jones), next door; her own salesman father (Tony Ashton) walks around with cardboard hoxes on his head; and two hrotbers, one religions, the other sporty (Alex Hanson and Roger Moss), sing terrible snatches of non-song while smugly praising God and doing press-ups.

There may he a zany satirical play inside there, but l doubt it. The nadir, and high point, is Eddie's musical nightmare of singing a bad Country and Western number ("A Man's Gotta Ride Tall in the Saddle") with his trousers round his ankles while clutching a toilet roll. The significance of this escaped me, bot not its transcendeot direness. Eddie, the purity pusher, ends up a gibbering wreck. And wbo can blame him? I was not feeling too good myself.

Michael Coveney

National Theatre Festival in Rotterdam

Two decades after the celebrated tomato action – when the contents of Holland's greenhouses were hurled at the contents of her theatre, killing the effete boulevard tradition stone dead – the Dutch are still feeling their way round the debris. A new tradition has, of course, grown np, but from the evidence of this year's National Theatre Festival in Rotterdam it remains a theatre of experiment and exploration with the experimentalist's awe of the enfant terrible.

Old-fashioned entertainment was not a concept that figured greatly in this annual showcase, now in its third year, for the 10 productions jodged by a panel of *Dutch* and *Flemish critics to be* the pick of the last season. Weighty programme essays and an uncompromising austerity of design set a mood which appears to have swung from flamboyant disregard of convention to an earnest reappraisal of theatrical structure and the mechanics of emotional engagement.

The result is a highly individual theatre, which at its best genuinely opens up new horizons. Where else would yon find an audience prepared to sit in rapt attention for a two and a half hour monologue based on three Cambridge seminars by Wittgenstein? Where else, for that matter, would you find an actor able and willing to perform it? Even without understanding a word of Peter Verburgt's weighty *Wittgenstein Incorporated*, one could not help but admire the meticulons detail and intelligence of Johan Leysen's performance of it. Here is a master technician (a television star to hoot) who is not remotely stagey, and who appears to engage totally with his material.

The rigorousness of Wittgenstein has its flip side in Maatschappij Discordia's handling of a family drama by Judith Herzberg, which carried off the award for best play of the season. (Discordia, with characteristic fastidiousness, ruled itself out of competition for the Fl30,000 best prodnction prize. Perhaps, remarked a detractor, it was afraid it wouldn't win).

Revered and reviled with equal passion, this company appeared on a first encounter to be peddling a hippy theatre which owes its undonbted cult status to a wilful refusal to engage in any conventional debate. Its actor/director, Jan Joris Lamers, is famous for his inability to learn a part. Even after some 50 performances he insists on his right to keep a script within reach, enshrining this is a company style which is deceptively casual.

In Kras, the repeated burglary of a family home casts a hrutal light on a delicate cohweb of relationships. The play was premièred by the Tonneelgroep Amsterdam in a naturalistic style which was widely held to be a mistake. Discordia has made a success of it by going to the opposite extreme: sombrely-clad actors stand around in groups discussing themselves behind a line of silver trophies which is ritually destroyed between scenes.

Lamers himself plays the eldest daughter, Do, a top secretary to whose lot falls the repetitive job of tidying up the mess. It is certainly not done campiy, and neither is there any attempt to impersonate a woman. While one might venture all kinds of psychological reasons for this alienation, Discordia says Lamers was simply cast to type.

Whether it is inspired deconstruction or perverse self-indulgence, it exemplifies a preoccnpation in the festival with the mechanics of text. Holland does not have many playwrights of its own, and there is a strong sense of a theatre that is intrigued and perturbed by the intrinsic power or a newly discovered toy.

Again and again, ths fripperies of design and performance are cast aside in puritanical pursuit of an uncluttered perspective. In *Medea*, one of three contributions from Tonneelgroep Amsterdam, the men stand smugly around with cardboard crowns and attaché cases, while a mascara-smeared woman fights a deadly battle for custody of her children amid canteen chairs, watched by pretty, stern-faced chorines in grey gaberdines. There is no sense of majesty in Gerardjan Rijnder's Euripedes, but there is an austere elegance in the symmetry of the staging.

It is a mark of the new Dutch establishment that Kitty Courbois, who plays Medea, appeared as the incestuous nymphet in the 1969 première of Hugo Claus's *Vrijdag, another of Tonneelgroep's* festival contributions. Klaus, who is Flemish, is one of the most prolific and well-respected figures of Dutch-speaking literature.

This anguished, though flagrantly prurient play, an anachronism in the programme at over three hours long, drew an ontstanding deadpan performance from Rik von Uffelen as the father recently released from a jail sentence imposed for bedding his only daughter. The pain of his memories and the comedy of his return to a wife who has shacked up with her neighbour are held in an absorbing balance.

If Vrijdag represents a look back to the immediate aftermath of the tomato action, Tonneelgroep also indicated a way forward with the scintillating physical theatre of *Gesprekken Over Goethe?*, a funny and probing anatomy of suicide written and directed hy Frans Strijards. In the midst of such sobriety a collective sigh of relief was heaved in the foreign critics's circle at the assurance that Goethe himself had nothing obvious to do with it.

Claire Armitstead

Natasha Parry

Mrs Warren's Profession

ORANGE TREE THEATRE, RICHMOND

Ths actor Brian Cox's new-found directing career is a case of much rabbiting among the Warrens. Hardly has Mary Warren been broken open by prosecuting Puritans in his Moscow Art graduate production of *The Crucible* at the Riverside Studios, than he presidss over Vivie Warrsn's rejection of her mother in Shaw's impsrishable early comedy at the Orange Tree in Richmond.

(Between times, Mr Cox is still appearing in *Frankie and Johnny* at the Comedy Theatre and is writing a book while getting ready for King Lear at the National next year; we shall aoon have to declare Simon Callow and Antony Sher to be nothing but dolts and slouches.)

Even as the shock of learning that Mrs Warren has made a fortune by running a chain of European hrothels is absorbed by time, so the play renews itself as a moving study of harsh filial ingratitude.

In the light of Michael Holroyd's heroic Shavian excavations, Vivie's plaintive "If you are my mother, where are my relatives?" takes on fresh poignancy. And Natasha Parry, just as Joan Plowright did at the National, finds great emotional purchase on her last line of defence: "I kept myself lonely for you."

Plowright was a no-nonsense vulgarian from the off, whereas Miss Parry, who reminds me often of Annie Ross, is an elegant, beautiful Edwardian whose Cockneyisms have been skilfully disguised. The social climher has entwinad elements of Marie Lloyd and Cynthia Payne in a bright vision of dark silks, auburn hair and sparkling eyes.

Miss Parry's real-life daughter, Irina Brook, has set about the impossible task of neutralising her own natural beauty by playing Vivie as a priggish know-all. She receives the news of Mum's ill-gotten gains with hardly a flicker of surprise. Her world, and cradle, should here rock. The point about Vivie, surely, is not that she is a stuck-up moralist, but a spirited New Woman determined to secure economic and social independence for herself through hard work and honesty in relationships.

One new laugh came when the rector's son ("a good sort hut a bad lot") offers Vivie "theatre in Richmond and a jolly supper." Otherwise, Stephen Marchant does not strike the sparks to placa Frank Gardner in the realms of Wilde and Saki. His father is delightfully taken by Ben Aris, whose middle-aged double act with one of the nastiest of Shaw's nasties, Sir George Crofts (Richard Owens), extends to a nifty scene-change. Robert Langdon Lloyd (once Robert Lloyd of the RSC) is a splendidly aesthetic Praed.

The production makes good use of a natural diagonal across this tiny stage (like having a show in your own front room), and Tom Piper's design of a canvas hammock, low swing and detachable floorcloths is a small miracle spoilt only by a surfeit of furniture.

The venue was torture on Friday night, hotter than a hothouse at Kew. Roll on the new £1.25m Orange Tree across the road in 1990: step forward, please, one Diamond Donor, still wanted to pay £50,000 for the air-conditioning.

★

Temba Theatre's *Back Street Mammy*, reviewed here on Saturday, is playing at the Lyric Studio, Hammersmith.

Michael Coveney

ARTS GUIDE

September 8-14

OPERA AND BALLET

London

Royal Opera, Covent Garden. The season opens with *Rigoletto*, in the underrated Nuria Espert production first shown last year. The cast includes Ingvar Wixell, Leontina Vaduva and Jerry Hadley, and the conductor is Sian Edwards.

English National Opera, Coliseum. The first new production of the ENO season is *A Masked Ball*, by the team (producer David Alden, designer David Fielding, conductor Mark Elder) responsible for the company's cootroversial *Simon Boccanegra*. Arthur Davies, Janice Cairns, Jonathan Summers and Linda Finnie take the leading roles. Furthsr performances of the unevenly sung revivals which opened the season – *The Magic Flute*, conducted by Lothar Zagrosek, with Thomas Randle, Cathryn Pope, Alan Opie and John Connell; and *Katya Kabanova*, conducted by Albert Rosen, with Kathryn Harries, Pauline Tinsley, Edmund Barham, and Donald Adams.

Sadler's Wells Theatre. For six performances the Theater Ludwigshafen (from Germany) and the Academy of Ancient Music join forces to present a "period-instrument" production of Mozart's *Entführung aus dem Serail*.

Vienna

Staatsoper. *Le Nozze di Figaro* by Mozart is conducted by Ivan Fischer, with cast including Margaret Price, Thomas Hampson and Horst Nitsche. *Lucia di Lammermoor* is conducted by Ion Marin and sung by Edita Gruberova, Georg Tichy and Peter Wimberger. *Fidelio* is conducted by Vaclav Neumann and the cast includes Gwyneth Jones, Sona Ghazarian and Jaroslav Stajnc. *La Bohème* under Silvio Varviso, is sung by Patricia Wise, Kurt Rydl, Bojidor Nikolov.

Volksoper. The week's performances include *Ein Walzertraum, Die lustige Witwe, My Fair Lady, Eine Nacht in Venedig, Tiefland, Don Giovanni* and *Kiss me Kate*.

Brussels

Théâtre du Residence Palace. *The Marriage of Figaro* staged by Stefano Giuliani. The Brussels Festival Orchestra is conducted by Robert Janssens with Marie-Noelle de Callatay, Victor Demaiffe, Isabelle Kabatu, Werner Van Mechelen.

Théâtre Royal de la Monnaie. The Monnaie Opera Company in Verdi's *Falstaff*, staged by Ilnis Oasqual, condncted by Sylvain Cambreling with Jose Van Dam (Falstaff) Laurence Dale (Fenton), Ugo Benelli (Dr Cajus), Diana Curry.

Berlin

Opera: Hebbel Theater. *Montezuma* in Herbert Wernicke'sproduction returns with Iris Vermillion, Jane Giering, Gudrun Sieber and Walton Groenroos. Also three ballets, danced by guests from the Munich Gärtnerplatztheater.

Hamburg

Opera. The Broadway musical *La Cage aux Folles*, by JerryHerman and Harvey Fierstein, produced by Helmut Baumann will beperformed with guest artists from ths Theater des Westens, Berlin.

Bonn

Opera. The successful new *Aida* production by Jacques Karopstars Rosalind Plowright in the title role, Livia Budai, LandoBartolini and is expertly conducted by Bonn's music director Dennis Russell Davies.

Cologne

Opera. *Jenufa*, in Harry Kupfer's production, is revived with astrong cast led by Leonie Rysanek-Gausmann, Linda Plech, Guenter Neumann, Jean van Ree, Alfred Kuhn, Tone Kruse and conducted by James Conlon, Cologne's new music director.

New York

New York City Opera. Along with the last performances of Leonard Bernstein's *Candide* conducted by Stanley Silverman, ths season continues with performances of *Die Zauberflöte* conducted by Scott Bergeson in Lofti Mansouri's production with Elizabeth Hynes and Walter MacNeil and *Il Barbiere di Siviglia* conducted by Sergiu Comissiona. Lincoln Center New York State Theatre (877 4700).

Tokyo

USSR State Ballet. *Sleeping Beauty*. Tokyo Bunka Kaikan (Tues, Wed) (235 1661).

Bayreuther Festspiele 1989: *Tannhäuser* conducted by Giuseppe Sinopoli. Tokyo Bunkamura (Tues) (477 3244).

FINANCIAL TIMES
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Tuesday September 12 1989

The UK in a cul de sac

IS ALBION being perfidious or simply too clever by half? Though ingenious, the plans for currency competition advanced by the Chancellor for the Exchequer suffer from a simple drawback: they do not offer a path to what everyone else considers monetary union. Instead, they represent an alternative.

The time for such alternatives was the beginning of the year (or even earlier). The danger in putting them forward now is that Mr Lawson could lose the opportunity to forge an alliance with more formidable opponents of the Delors scheme, especially the Bundesbank, which may be driven into the arms of Mr Delors.

Last June in Madrid, "the European Council restated its determination progressively to achieve economic and monetary union." There was disagreement over whether the Delors report provided the best blue-print for Emu; there was disagreement over the timing of stages subsequent to the first (which is to begin on July 1, 1990); there was disagreement over the timing of (and need for) an inter-governmental conference to lay down the subsequent stages: but there was agreement (however unwilling on Mrs Thatcher's part) on the ultimate goal.

Common sense

The common sense interpretation of economic and monetary union is a region with irrevocably fixed exchange rates and no exchange controls. Against this, the Chancellor now seems to suggest that the legal use, for all purposes, of any of the currencies of the European Community would itself make an Emu.

For cash transactions, the advantages of a currency that is used by one's fellow citizens outweigh a modest inflation differential. Moreover, most liquidity is held in interest-bearing form. In the absence of exchange controls, rates of interest will offset expected inflation differentials. If that condition is met, it is perfectly possible for currency competition, in Mr Lawson's sense, to be combined with adjustable exchange rates, as in the present European Monetary System (EMS), or even freely floating rates.

In short, free competition in currencies may be an adjunct to Emu, but it is neither a sure path towards it, nor a substitute for it. Since increased competition among currencies will occur, in any case, as exchange controls are lifted, the British proposal looks like a diversion.

Timing

The important battles to come (except over timing) will be about the scope of Emu, especially the place of fiscal policy, and control of policy-making. The former issue can be resolved relatively easily, since it would be possible to have Emu without coercive central control over the fiscal policy of member countries.

The more difficult issue is who controls monetary policy. A monetary union could be created by freezing exchange rates after exchange controls have been liberalised. The essential feature of such an Emu would be the continued domination of the Bundesbank. From the point of view of preserving the value of European money, this would probably be the best solution. The system would be undemocratic, but no less so than the European System of Central Banks envisaged in the Delors report.

The more important objection would be the failure to dilute the influence of the Bundesbank to the extent desired by policy-makers in other member countries. The problem is that the price of transferring control to an EC-wide institution would almost certainly be worse money.

Unfortunately, the UK is not in a position to make a sensible contribution to the debate. It can hardly come forth as an enthusiastic supporter of a system based on the present EMS, when it is not even a full participant. Meanwhile, the Chancellor's new ideas will be treated as an adjunct to Emu, at best. However much the UK may wriggle, its chief problem remains. The UK has already subscribed to the goal of Emu, which must at the very least include permanently fixed exchange rates. It is not a question of Albion's deceiving others; it looks as though Albion has deceived itself.

The flight to freedom

AMONG THE many dramatic events which have shaken the Soviet Union and Eastern Europe over the last two years, none has underlined more clearly the failure of the Communist system than the present exodus of thousands of East Germans via Hnngary. The last time such a large migration from the German Democratic Rapublic took place was at the time of the building of the Berlin wall in 1961, when economic conditions in the country were mucb worse than tbey are today. The gap between tbe standard of living in the GDR and West Germany, where the bulk of the refugees are heading, remains large. But the yearning for democratic freedoms has motivated the exodus at least as much as the desire for more material comforts.

Mr Ericb Honecker, the East German Communist leader, has only himself to blame, though there are signs that he has not been fully in control of policy-making recently because of serious illness. While the Soviet Union, Poland and Hungary are implementing reform programmes in line witb Mr Mikhail Gorbachev's policies of perestroika and glasnost (not always successfully, it is true) the GDR has remained a bastion of Communist orthodoxy. To tbe tantalising picture of wealth served up to East Germans daily on the West German programmes, whicb they are able to receive on tbeir tv sets, has been added the bitter realisatioo that even some of their Communist sister states are introducing democratic reforms.

Gross anachronism

In these circumstances, the virulent criticisms of Hungary and West Germany for promoting the flood of East German refugees over the Austro-Hungarian border, which have emanated from East Berlin, can hardly be taken seriously. It is true that, by finally allowing the thousands of refugees wbo had gathered in Hungary to cross the Austrian border, the Hungarian autborities were breaking a 20-year-old agreement with East Germany. But that agreement itself was a gross anachronism which contravened not only the spirit of the United Nations Charter and the 1975 East-West Helsinki Agreement and its follow-up conferences, but was no longer in keeping with Hungary's own much more liberal policies.

Yet however mnch one applauds the bumanitarian principles on which the Hungarian decision was based, it is clear that the resulting situation is full of potential dangers which could threaten the fabric of East-West relations. Once the flood-gates have been opened, it will be difficult to close them again. Many of the 60,000 East Germans now estimated to be on holiday in Hungary may want to join the exodus and thousands of others from tbe GDR and other East European countries will be tempted to follow tbe sama route.

Economic drain

Tba GDR's economy is already feeling the effect of the drain of tbe thousands of skilled workers and young professional people who consider the country no longer offers tbem a sufficiently promising future. The remedy is not without risk for the GDR leadership. The implementation by the Government of the kind of reforms which will keep people from leaving is clearly an urgent matter. Yet tha very *raison d'être* for an independent East German state is its communist system and ideology, without which it would lose the separate identity which distinguishes it from the Federal Republic.

If Germany is to be reunified eventually, that sbould certainly not be allowed to occur as the result of a sudden collapse of the GDR. The vacuum created in the centre of Europe and the ensuing instability would risk provoking a Soviet military intervention and thus constitute a serious menace to world peace. The West, and the Federal Republic in particular, must be careful not to precipitate such a situation. What is required now is the adoption of reforms ln East Germany which will lead to the progressive liberalisation of the regime and thus avoid the serious upheavals threatened hy Mr Honecker's hardline policies.

As thousands of East Germany's citizens escape to the West, FT writers report on the country they are leaving

A SIGN over a shop near Leipzig station reads "Mantner & Alswede, Paris-New York." But the bolts of garish cloth in the window would be hard to sell even to East Germans.

In front of Nikolai Church more than 100 spectators and many more policemen and security officials are waiting for the end of Mass. The church is thronged by citizens seeking to emigrate and by those – fewer in number – who want to remain in order to change East German society.

"This country is falling apart but Honecker pretends he knows nothing," bellows one spectator. A nearby policeman does not bat an eyelid. The authorities no longer harass individuals for such remarks, though they crack down on organised protests.

The young man, an apprentice train driver, continues to hurl abuse at the leadership; he says he will "beat it" as soon as he has his Facharbeiterbrief, the skilled worker certificate which would get him a job with the West German railway.

When the worshippers emerge from Nikolai Church, a crowd of several hundred chant "Wir wollen raus" (we want to leave). They hope to get their pictures on western television in order to be expelled to West Germany; the authorities have rejected their previous applications to emigrate. They ignore those who call back "we're staying here" and are trying – against police opposition – to demonstrate for reforms.

A 21-year-old man visiting Leipzig from Gera in Thuringia watches the would-be emigrants from behind a police cordon. He says he would like to visit the West but is not sure if he wants to leave East Germany forever. His main concern is that he cannot clearly see what sort of work he will be doing 10 years on – a very German worry. "I can't even see ahead for the next two or three years" he says dejectedly.

Another young onlooker, a mechanical engineer, lives with his parents in Leipzig. His wife and their small child live with her parents in a village 12 kilometres away. "We only got a child in order to get a flat," he says, "but it's still very difficult."

Frau M, a teacher I have known for many years, has an old-fashioned German sense of duty. She and her husband, also a teacher, say they cannot emigrate and leave their young people in the lurch. Those who are leaving, she says, have "illusions" about the West. They do not want to work. Four teachers from her school have not returned from holidays in Hungary. She gets up at dawn to take on their teaching burden.

People leave not for political reasons, she says, but because of the "miserable" supply of meat and citrus fruits, the absence of many consumer goods and services which were more readily obtainable years ago. Doctors are fleeing because of poor pay and obsolete equipment.

Next day on a train I overhear a railwayman say he has been with the Deutsche Reichsbahn for 35 years but that the shoddy work being performed now defies description. Badly-done work is still humiliating to many East Germans; it is one of the reasons often cited for leaving.

As the train approaches Halle, the sky grows darker and the sun vanishes behind clouds of noxious gases. Halle, birthplace of Georg Friedrich Händel, is the centre of East Germany's chemicals industry.

Soviet officers and their families stand on the station platform with huge boxes filled with consumer goods, waiting for their trains back home. "GDR khorosho" (East Germany is good) one officer tells me. "Good living conditions."

Buna and Leuna, built to make synthetic rubber and petrol during the First World War, are still the largest chemical complexes in the Halle area. Many young families have been drawn to Halle by offers of good pay and new housing. The price is having to breathe some of the most polluted air in Central Europe.

Beyond Halle's Karl Liebknecht pedestrian mall is a small private ironmongers run by Frau Frieda L, 60. "No one goes hungry here," she says. "We hunger for something else" – to travel freely, to stop hearing "lies," to enjoy the rewards of work.

Frau L's brother and sister live in West Germany, but visit her every year. "Our leadership thought the ties to West Germany would weaken with time. But they haven't," she says. "We are a very German family."

A man waiting with his wife at a tram stop says people are leaving simply because of the "miserable situation." His wife adds: "and the swindle with the elections." The alleged 98.85 per cent vote for Party candidates in recent municipal elections deeply offended many citizens who had voted in record numbers against the official candidates.

"But we can't all leave" the man says. "No, someone has to put out the lights," says his wife.

Leslie Colitt

Exodus from the old socialists' paradise

EAST Germany's best industrial technocrats talk of profit maximisation, shaking up sluggish bureaucracy, and incentive pay, and they mean it. But a few islands of capitalist thinking and world-class technology – such as Carl Zeiss or Polygraph – are no match for decades of centrally-planned autarky.

Average East German families must wait 10 years for a new car, eight years for a telephone. Overall, their standard of living is about half that of their West German cousins.

One senior East German official admits: "There is obviously dissatisfaction among the people about the supply of consumer goods and we must do something about it." There are rumours that the Government may soon send its policy of minimal exposure to western debt and accept another loan from West Germany to try to quell that dissatisfaction.

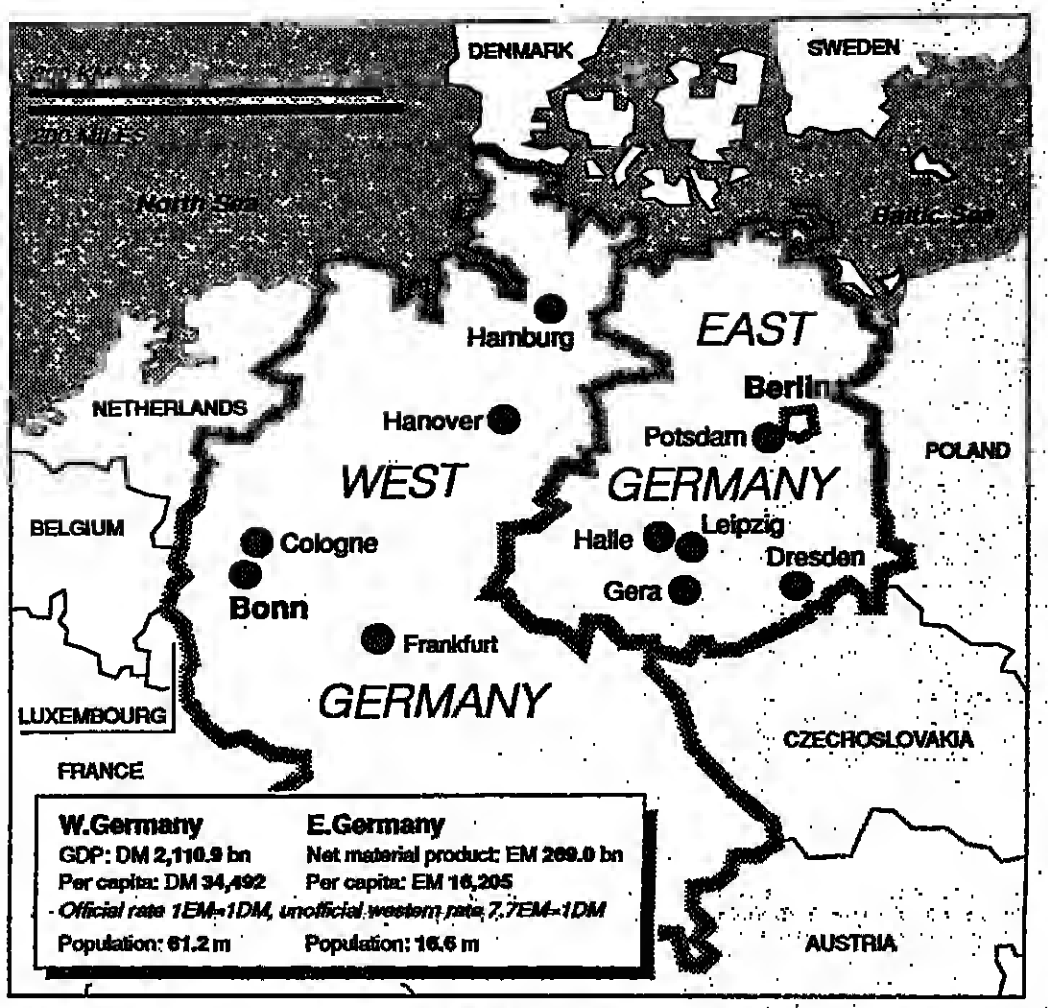
Reform-minded officials will be arguing in the run-up to next May's Party Congress – which lays down a new five year plan – that the only response to the gradual dissolution of Comecon is an opening to the West and de-politicisation of the economy.

But their opponents will point to the danger of Polish "anarchy" and reiterate the success story of over-fulfilled plans and technological prowess – symbolised by the imminent development of a 4 megabit memory chip.

Despite relative decline against the West, the economy remains the strongest in the East bloc. That has something to do with the special relationship with West Germany which directly and indirectly pumps about DM4bn (£1.3bn) into the economy every year. But it has more to do with the industrial heritage of pre-war Germany.

The south of East Germany was the industrial heartland of old Germany. Although the Russians dragged away much of what remained of its plant after the war, the know-how and work habits remained.

That was combined with more flexible application of planning principles than in most other East bloc countries, and a sensible factory price reform in 1976. The 1980s, however, have mercilessly exposed the economy's structural weaknesses. At the beginning of the decade, when it should have been re-equipping, the Government harshly rationed hard currency for western capital goods.



A little earlier, the authorities had replaced the ineffective industrial branch associations with Kombinats. These giant vertically integrated monopolies, organised under a single management, are usually able to ensure more efficient supply lines.

But the Kombinats have also created their own problems, especially in the consumer goods sector, by wiping out lots of smaller plants and service industries or handing them over to a private sector which prefers to work for hard currency.

The immediate future looks bleak.

● Labour shortages. These are worsened by the recent outflow of skilled people. More than 100,000 guest workers from Vietnam and Africa have been sucked in, creating social tensions in some parts of the country.

● Energy. The fall in the oil price has reduced the value of sales from East Germany's export-oriented refineries, and thus hard currency income. Earlier, the oil price rise led to a cut in the Soviet supply of crude oil and thus heavier use of the polluting brown coal (lignite), now running out.

● Export quality. This is the subject of growing complaints not just from West German businessmen (who buy about half the 30 per cent of exports that goes to the West) but increasingly also from the Soviet Union (which accounts for about half of the 70 per cent of exports that go east).

● Worker motivation. Never very high in the past 20 years, this has been hitting new lows, according to the analysts at the Institute of Economic Research in West Berlin. East Germany's relatively high educational standards are one reason for the economy's durability. They have also helped to create a well-informed cynicism about the system's more obvious ebsurdities, fostered by access to an alternative version of events from West German television.

The economy is not without its bright spots, however. The chemical industry has some plant going back to pre-war days but also some relatively modern and efficient segments; the shipbuilding industry is, according to ona West German competitor, quite strong; as are parts of the textile machinery, printing machinery and optics industries.

The furniture industry can also compete with western technical and design standards; East Germany is a big supplier to retailers like Sweden's Ikea and Britain's MFI.

But most other consumer goods are either erratically available, or of poor quality, or both, like the spluttering Wartburg or Trabant cars.

The Shoe Kombinat, run by Mr Jochen Lezoch, is one relatively efficient consumer goods manufacturer. Shoe prices are high and quality is nothing special; none the less about 47,000 workers produce 80m pairs of shoes a year, which compares reasonably well with the 70m produced by 33,000 workers in West Germany.

Mr Jurgen Poeck, one of Mr Lezoch's deputies, claims that plants within the Kombinat work with realistic prices and make profits and losses. He says most workers in the Kombinat now get about 20 per cent of their pay from productivity bonuses. The effectiveness of this is limited, however, by the lack of things for workers to buy. And according to western businessmen, the Shoe Kombinat has only one computer numerically controlled (CNC) machine; the second will not be delivered until 1994.

Most of the old men running the country have no desire for change because they believe they have reached a sort of socialist paradise. Compared with the working class districts of depression Germany, where many of them grew up, they have done well: everyone has work, housing and food are cheap, health care is free, children are well cared for. Mr Erich Honecker, the ailing East German leader, is said to care dearly about only one economic matter – keeping rents to about 80 pfennigs a sq metre, about one-tenth of the price in West Germany.

In the short-term the reformers hope for an increase in foreign borrowing, a streamlining of the multi-layered trade bureaucracy, and a relaxation in the opposition to joint ventures. (Officially only partnerships or production-under-licence agreements exist, such as the successful deal with Salamander sports shoes or the less successful attempt to make Volkswagen engines).

In the longer term the best hope may be for an external shock delivered by the Soviet Union, through its domination of East Germany's foreign trade – for example, a demand for much more payment in hard currency.

But the pessimists maintain that the real obstacle to full-scale economic reform is the ability of the system to limp on, avoiding the sort of crises experienced over the border in Poland.

David Goodhart

OBSERVER

Finances of Henry V

■ Shakespeare's Henry V is not Batman; it is a relatively low budget movie (£4.5m), and there will be no T-shirts to go with it. "We thought about that," said Stephen Evans, the stockbroker who helped raise the money for the production, "but decided it would only bring in another £50,000 - £100,000."

Yet in a lot of other respects it is seeking to play in the Batman league. Take the release arrangements, for example. Perhaps for the first few months it will be shown in London only at the two Curzon cinemas: in the regions it will be at a number of Odeons. There are similarly careful arrangements for release in the US.

Then there is the music. Batman had Prince, available in the shops well before the movie reached the cinemas. Henry V has music by Pat Doyle, which will go on sale later this week.

Doyle is a not very well-known actor, who has had several shots at writing music for Shakespeare plays over the years. He was offered a go at Henry V because be was a friend of Kenneth Branagh, the producer and tbe man who plays the King.

Almost everyone else involved thought that he would fail, and there were high standards to follow: the music for the previous movie of Henry V, starring Laureoce Olivier, was composed by Sir William Walton. Doyle's effort, however, was acclaimed by Simon Rattle, no less, who has conducted it with his City of Birmingham Symphony Orchestra.

This is Evans's first film venture, though he has already raised funds for Branagh's theatre productions under Renaissance Plays. The new company is called Renaissance Films, and Evans is chairman. He says thet he became tired of being an ordinary stockbroker, but still keeps corporate clients to be on the safe sida.

Branagh played Guy Pringle in the television series Fortunes of War and Jimmy Porter in the recent revival of Look Back in Anger and is now married to Emma Thompson. He was suspicious of Evans at first, as a stockbroker. Once the money was raised – mainly through Evans getting underwriting from old friends in the City at a minimum of £100,000 – the relationship flourished. "Branagh would be a better businessman than I am, if he ever went into it," says Evans.

Henry V won its first prize at the Brighton Film Festival last weekend. If it is a commercial success, an intelligent guess might be that Hamlet will follow.

"I suspect we haven't enough members for a sex survey."

Not just late

■ A notable absentee from the the Social and Liberal Democrats' conference in Brighton this week is Shirley Williams. Although she no longer holds an official post in the party, she remains one of its most valuable assets.

According to reports circulating in the conference hall yesterday, a confusion of dates led to her being in Japan as her party, including Lord Jenkins, a fomer colleague in the last Labour Cabinet, assembled at the seaside. Apparently Williams was under the impression that the conference was planned for next week – in Harrogate.

Salomon star

■ Such are the effects of jet lag that Ronald M Freeman, the new man at Salomon Brothers International, announced; "I only arrove yesterday", and repeated it three times before getting it right.

Freeman was at his desk as the newly-appointed Head of European Investment Banking at Salomon's London office on Monday morning, and the post has been clearly upgraded. Not only is Freeman a senior partner; he must also be very expensive.

He says thet he was actually hired for the job in December 1972 when he was working for McKinsey in Paris. He was invited to New York for three weeks to learn the ropes, but then stayed and stayed. Those were the days of high oil prices and large scale investments of oil money; they were also the days before leveraged buy-outs. Freeman created the project financing group, and went on to found and lead the energy group. He has worked with all seven sisters in the oil industry in his time.

More recently, as managing director and co-head of Salomon Brothers' Strategic Services Group, he has been deeply involved in mergers and acquisitions. "I tend to be thought of as someone who does M&As," he said yesterday, "whereas I like to think that I just try to look after clients."

The move to London was finally suggested at the end of July. The London weather was freakishly good. Holland Park also seemed more civilised than their street in New York, which had social problems. Freeman's wife, a pure New Yorker, fell for the place at once.

Freeman's mother is French, and he speaks the language fluently. He will spend about half his time in London and the rest travelling. "At 50," he says, "you either move up or move out." Freeman has moved up. Charles McVeigh, the chairman, will continue to concentrate mainly on UK matters.

Out of favour

■ Travellers on a British Airways flight from Nairobi to London last week asked the cabin crew for complaints forms to register a variety of grievances. The world's favourite airline had run out.

Real Rio

■ Brazil is fond of Brazilianizing English words. *Launche*, for example, is a snack – eaten, of course, in a *launcheonette*. If you want to go dancing but are not a member of an expensive club, you go to a *foro* – a dance hall open "for all". But it takes a while to spot the origin of the all-purpose pill universally used to cure the symptoms of the morning after the night before. It is called *engov*.

Musical porn

■ From the staff magazine of a Leeds company: "But no matter what part of the world I am in, if I feel depressed I take out my cassette player and listen to the immortal strains of Beethoven's Filth." Not to be confused with his Erotica.

LETTERS

No tidy solution to the problem of compensation

From Mr T.J. Palmer.

Sir, I was concerned to read your leader (August 25) on compensation for investors. You suggest that it no longer makes sense for life companies to have a separate compensation scheme, and that claims against defaulting life companies should be transferred from the Policyholders' Protection Board to the Securities and Investment Board's Investors' Compensation Scheme.

I can appreciate that the apparent tidiness of such an approach could be appealing, but the issue is really very much more complex than this.

Although life insurance competes for savings with other financial services, most policies issued contain a significant element of guaranteed life cover. This puts them in a different category from other investments covered by the SIB compensation scheme, and anchors life business firmly in the world of insurance.

Nor would transferring compensation claims against life companies to the Investors' Compensation Scheme produce a tidy solution. The Policyholders' Protection Act (PPA) cannot simply be repealed. Apart from the question of general business, by no means all life insurance policies are defined as investments under the Financial Services Act, and those which are not would have to stay within the scope of the PPA. Life companies would find themselves contributing to two schemes rather than to one, and in the unlikely event of insolvency policyholders would have to claim against two separate schemes.

To bring life companies within the SIB scheme would also limit the protection available to policyholders and beneficiaries, both because of the monetary limits of £100m in aggregate and £48,000 in individual cases, and because the PPA does not distinguish between life policies taken out by bodies corporate and those taken out by individuals. At the end of the day, the PPA protects the beneficiary of an insured group life or pension scheme.

I cannot stress sufficiently that, in the event of the life offices having to contribute to the SIB compensation scheme, the cost of bailing out those who have chosen a less prudent form of investment will fall principally on policyholders' funds.

In the case of mutual life insurance companies, there is no other possibility. The Policyholders' Protection Act is just one of the reasons why life insurance, in addition to providing protection, is a safer vehicle than many others, and this should be reflected in the advice given by financial advisers.

The interests of life insurance company policyholders dictate that the SIB's proposal should be withdrawn, and that the Policyholders Protection Act should not be repealed or diluted.

T.J. Palmer,
Chairman, Association of British Insurers,
Aldermary House,
Queen Street, EC4

'The fault lies in CGT itself'

From Sir Nicholas Goodison.

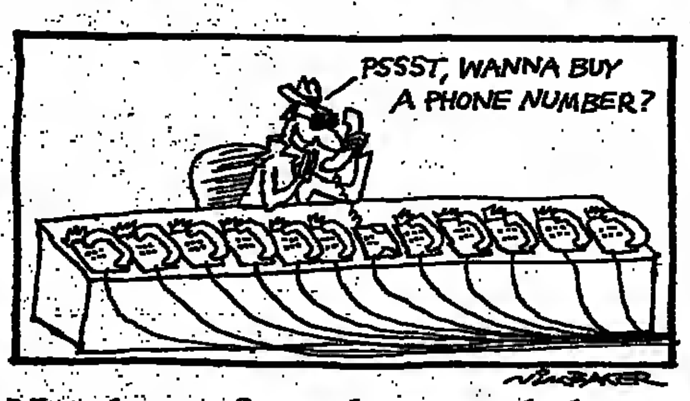
Sir, Your correspondents, Mr R.E. Farris and Mr R.A. Lucas (Letters, September 2, 6), make a good point. It is indeed objectionable that taxable investors in a cash takeover are subjected unwillingly to capital gains tax (CGT); and that it is often the decisions of untaxed investors which put them in this position.

But Mr Lucas's solution is too complex, and does not strike at the root of the problem. The basic fault lies in the levy of CGT itself.

Why should someone who sells shares and re-invests in other shares, leaving his money vested in industry or commerce, be taxed for doing so? He has not realised any savings for consumption. In a country which depends on industry and commerce it is a distortion to tax this sort of exchange, while exempting other assets such as housing.

It is also odd that a Government which wants to encourage more direct personal investment in shares should drive people to investing through institutions which do not pay CGT on a similar exchange of investments.

Nicholas Goodison,
Chairman, TSB Group,
25 Milk Street, EC2



Numbers of numbers needed

From Mr John Hunter.

Sir, Hugo Dixon warns (September 4) that "the nation's stationery would have to be reprinted, vans would need new liveries and address books would need updating" if the Ovum proposal to add an extra digit in front of all dialling codes is accepted.

In London it would be simpler to retain the existing 01 numbers, and use 081 to cater for the new demand.

John M. Hunter,
Octagon Telecommunications Services,
200 Tottenham Court Road, W1

From Mr J.P. Fletcher.

Sir, Inventing the telephone was interesting; inventing a pair of telephones was a big step forward; inventing the telephone directory, giving every user a unique number, was the real breakthrough.

100 years on, uniqueness of the numbers still relies on the switchboard operator. The new type of telephone, able to carry voice and data, cannot be used by most businesses because their switchboards cannot handle data calls, which must be dialled direct.

A typical small business would need 20 telephones, 6 lines and 40 numbers; a large business might require local call access to 100 central employees from 40 large cities over a private network, using 4,000 numbers for just 100 telephones. Not a half-hearted expansion, but at least a 10-fold increase in numbers is required just to take us up to the end of the century.

J.P. Fletcher,
17 Gordon Road, Wealdstone,
Harrow, Middlesex

PEP is personal

From Mr Philip Chappell.

Sir, Very reasonably, Mr White (Letters, September 8) asks why he cannot run his own personal equity plan (PEP). The answer is simple: PEPs can be operated only by plan managers, and the Treasury has decreed that plan managers must be persons authorised under the Financial Services Act.

This is clearly absurd – Mr White does not appear to wish to give investment advice, merely to do his own thing. Quite apart from the inevitable costs involved, this restriction creates a barrier between Mr White and his shareholding.

Once again the cause of wider share ownership is defeated by this Government's policy of giving positive fiscal discrimination in favour of the investment oligarchs of institutional management.

The Inland Revenne may reply that it could not policy the tax returns for a million or more individual PEP holders; how strange that it does argue thus when the Government itself pays out interest gross on its National Savings products.

Philip Chappell,
Association of Investment Trust Companies,
Park House, (6th floor),
16 Finsbury Circus, EC2

Managing management

From Mr Gordon Rawlins.

Sir, on behalf of the 15,000 managers in membership of this institution, I must comment on "The teaching of managers" (Leader, September 1).

Although the MBA level is important in its own right for the minority, it is at least equally necessary to provide relevant training for the majority – the many hundreds of thousands of managers with no aspirations to master's degree level, and the 90,000 people who, each year, enter management for the first time.

It is precisely within the framework of the Management Charter Initiative (not away from it, as you suggest), with its emphasis on competency-based learning, that a selection of courses relevant to the work-place, which mix theory with practice, is being devised.

Furthermore, this management institution is very much "in touch with the real world." That is why we have recently launched the UK's first competency-basad management development programme. Based on continuous assessment, and directly related to people's work, it allows entry and exit at all levels and concentrates on the operations managers who are directly responsible for the efficient use of resources.

Gordon Rawlins,
The Institution of Industrial Managers,
Rochester House,
66 Little Ealing Lane, W5

From Mr Bruce Lloyd.

Sir, Your leader on the teaching of managers (September 1) risks reinforcing both parochialism and élitism.

American MBA programmes have certainly made mistakes – like everyone else. But in America (and many other parts of the world) there is an underlying assumption that a substantial proportion of the population (if not the majority) is capable of getting university level qualifications if they are given the physical opportunities and if they are sufficiently motivated.

What the UK needs is widespread support for extensive part-time management programmes. The potential resources going into reinforcing Oxbridge élitism would be much better invested in new opportunities in areas of relative educational deprivation, particularly in the critical management subjects.

It is to be hoped that the industrial decisions concerned with supporting the Cambridge initiative are based on a rational analysis of the wider needs, and all the options, and not on the traditional capacity of Oxbridge to exploit its powerful nepotistic networks.

History has ingrained many habits into our culture which seem hard to change. It should not be forgotten that *managing change* is at the very core of what management is about. Many of our institutions, and the individuals within them, are still too "production driven" rather than "customer led."

One way this still shows is the way the word *teaching*, rather than *learning*, is still used. Only when this subtle (but important) difference is accepted will the whole nation begin to get its educational priorities matched to the needs of the 1990s – let alone the next century.

Bruce Lloyd,
South Bank Polytechnic,
156-58 Clapham Common,
North Side, SW4

Help for Poland

From Mr Ira L. Straus.

Sir, Thank you for your extraordinary editorial on Poland (August 31). It was magisterial in establishing the criteria for evaluating Western policy choices – that this is the historic challenge which will determine whether other countries will want to follow Poland's course, or whether all hopes for a peaceful transition out of communism will be dashed – and brilliant in its policy suggestions.

I notice an undertone of irritation about the penny-pinchers in the White House. It is understandahle that yon should have finally given vent, with great British restraint, to your anger on this. The pettiness of US policy on Poland is disgusting, its unseriousness is frightening. At a vital turn in the road, the main driver in the West is asleep at the wheel.

A quick calculation can put help for Poland in financial context. If the defence of the West against Soviet Communist aggression is worth \$400bn a year, then the phasing out of Communism in favour of democracy would easily be worth, on sound investment principles, \$2 trillion. Because Poland counts for one-tenth of the Soviet bloc, its peaceful "de-communisation" should be worth at least \$200bn to the West – actually much more, because its fate will set a decisive example for the others.

That does not mean that an attempt should be made to find ways to spend \$200bn on Poland. It means that if there are good ways to spend money to improve prospects for success in de-communising Poland, it should be done on any scale up to \$200bn.

As to how to increase the likelihood that the money spent will be spent well, it would be hard to improve on your suggestion of drawing Poland into the European Free Trade Association (EFTA) and the Organisation of Economic Co-operation and Development (OECD), and giving the EC a main supervisory role alongside the International Monetary Fund. The mediating and confidence-building roles of the western international institutions are needed to make a "soft landing" possible.

They will be even more needed by the Soviet Union, standing atop the shaky heights of empire as well as the heights of tyranny and command economy, than by Poland. It would be a brilliant stroke for Poland to demonstrate this way of climbing down into the world: it would prepare the ground for a "soft landing" for the entire Soviet bloc.

Because rapid lump sum reforms will be needed at some points, the integration into western institutions will also have to be rapid at some points, to ease the transitional pains before they can cause a social explosion. The international institutions (not known for a timely pace) need to begin their preparations.

It would be nice to believe that the US Administration has read your editorial and weighted its proposals carefully. Barring that, one can only hope that the Administration will get a whiff of common sense, and begin to treat the Polish qnestion with the gravitas it deserves.

Ira L. Straus,
Executive Director, Association to Unite the Democracies,
1506 Pennsylvania Avenue SE,
Washington, DC 20003
USA

'The prize in this race is a poisoned chalice'

From Mr Jonathan Hoffman.

Sir, Your leader (September 8) rightly argues that *dirigiste* attempts to remove market imperfections in the European fiscal sphere will only make matters worse.

When considering the appropriate route to a common currency, choosing the right way to deal with the shortcomings of the market is also important. A front-runner as a "Delors alternative" (Samuel Brittan's "Economic Viewpoint," September 7) is to abolish exchange controls and the legal tender laws, allow the use of all EC currencies throughout the 12, and "let the best man win."

But the lesson of history is that the prize in this race is a poisoned chalice. Countries whose currencies have served as reserve assets have been forced sooner or later to confront the inherent inconsistency within reserve currency status. International demand for such a medium is satisfied only if there is a constant "deficit" on the non-official items in the issuing country's balance of payments – the sum of trade flows and capital flows.

But the very existence of the "deficit" undermines confidence in the currency's future exchange-rate stability. The only benefit of reserve currency status is the ability of the reserve country to increase domestic consumption by dint of persuading foreigners voluntarily to accumulate its money. Time after time governments have decided that the game is not worth the candle.

As for the most likely "best man" (the Deutsche Mark), the Bundesbank has fiercely resisted the German money's emergence as a reserve currency, because of the potential threat posed by foreign DM balances for German price stability. They dissuade other central banks from holding in their reserves anything more than "working halances" of DM, and aim to minimise foreign non-official holding – for example, by ensuring that all foreign DM bond issues are done within Germany.

To a certain extent this strategy has succeeded: what statistics there are show that the DM's international importance is less than commensurate with the relative size of the German economy. A consistent deficit on non-official items in the balance of payments (the condition needed for adequate provision of reserves) is most unlikely.

With a rapidly ageing population placing savings abroad to finance retirement, capital outflows from Germany might exceed capital inflows for some years to come. But against this must be set the endemic current account surplus, resulting from a combination of a high German saving ratio and other countries' demand for German investment goods.

Indeed, German anxiety that sterling should become a full ERM (exchange rate mechanism) member may well be because of the wish to have a bi-polar system – to "share the burden" of the European reserve currency, with the aim of dispersing flows into and out of Europe which would otherwise be concentrated on the DM. Reserve currency status has proved a burden, not a privilege, and as such must be shared. Only by recognising this fundamental will genuine progress in tha currency sphere towards European economic union be possible.

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FOREIGN AFFAIRS

Redefinition of America's vital interest

Edward Mortimer analyses the rhetoric and the reality of the civil war in Lebanon

Did anyone believe Ronald Reagan in 1983 when he said the "vital interests" of America and the West were at stake in Lebanon? Did he believe it himself? If so, he changed his mind soon afterwards when he pulled out the Marines, leaving his protégé, President Amin Gemayel, to capitulate to the Syrians by tearing up the Israeli-Lebanese agreement which Secretary of State George Shultz had so painstakingly negotiated.

That happened in an election year. Yet Mr Reagan was triumphantly re-elected after a campaign in which the question "who lost Iran?" figured somewhat ("it didn't happen on my watch," declared the incumbent smugly) but no one bothered to ask "who lost Lebanon?" Clearly the American people did not believe anything more had been at stake there than the lives of the unfortunate Marines themselves.

West Beirut had become unsafe for Americans, and Mr Reagan moved his embassy to the Christian east. Now President Bush has pulled it out of there too, without (so far) finding it necessary to make any personal statement on the matter. A State Department spokeswoman, Ms Margaret Tutwiler, again gave the safety of US personnel as the reason for the move, after Lebanese Christians blocked the gates of the embassy and talked of cutting off its water and fuel supplies "to give the Americans a taste of the blockade the Lebanese have been subjected to by Syria."

The anger and bitterness of those Christians was clearly genuine, being the fruit of deep disillusionment. They alone, it seems, had been taken in by Mr Reagan's rhetoric. They believed that the West's vital interests really were at stake in Lebanon, and therefore that the West would come to their aid as soon as they showed real willingness to fight. On this analysis, the American pull-out in 1984 reflected a lack of confidence in President Gemayel, not lack of interest in Lebanon as such, and things would be different now that Lebanon had a really determined leader.

But things are not different, or rather the difference is that the US administration no longer believes, as it did in 1982-83, that the Christian-led Lebanese army is the core around which Lebanese sovereignty and territorial integrity could be rebuilt. At least Amin Gemayel, whatever his weaknesses, was recognised by all parties as the legitimately elected head of the Lebanese state. By contrast, General Michel Aoun's title of "prime minister" is recognised only within the Christian enclave. The US was not prepared to take sides by accrediting its new ambassador to his government, and it was clearly uncomfortable with the fact that the ambassador, for security reasons, had to confine his presence and therefore his political contacts to the Christian side of the line – especially as America's only real remaining interest in Lebanon is the fate of the US hostages, who are on the Moslem side.

Hence General Aoun's bitter commant to Le Figaro that "perhaps he should take 20 American hostages," which Ms Tutwiler cited as a reason for withdrawing the embassy. It is scarcely credible that the US could have taken this as a serious threat. No doubt in this case, as in the withdrawal from Kabul at the beginning of the year, security grounds were used as a pretext for a decision which was in fact political.

In Kabul, the US was deliberately breaking all contact with a regime which it hoped and believed was about to be swept away. General Aoun might perhaps take heart from the fact that eight months later that regime is still in place and holding its own. Certainly he shows no sign of losing heart. But it cannot be very comfortable for him to find himself relying exclusively on the Arab world for support.

In earlier phases of the struggle Lebanese nationalism (mainly Christian) was thwarted by the fact that Lebanese Moslems were more susceptible to Arab nationalism and received support from the rest of the Arab world. In the late 1960s and in the 1970s, the presence of an armed Palestinian movement in Lebanon was seen by the Christian establishmeot as an affront to Lebanese sovereignty, but by the Moslems as an opportunity to seek a redistribution of power in their favour. In that phase the Christians claimed to be fighting to free Lebanon from Palestinian occupation, and in 1976 they welcomed Syria's intervention to prevent the triumph of the Palestinian-leftist-Moslem alliance.

Alliances in Lebanon are infinitely variable, but certain Arab antagonisms seem to be a constant. Apart from one brief and abortive reconciliation in 1978, the rival wings of the Baath party in power in Damascus and Baghdad since the 1960s have been implacable enemies. There has also been no love lost for many years between Syria's President Hafez al-Assad and the leader of the Palestine Liberation Organisation, Mr Yassir Arafat. Hence the PLO's enthusiastic support for General Aoun in his "war of liberation." Such support is of course transparently, nay indecently, opportunistic; but also reflects the fact that the Palestinian nationalist movement, like the Lebanese, is struggling to free itself from Syrian hegemony.

Alliances in Lebanon are infinitely variable, but certain Arab antagonisms are a constant

The week before last, however, President Assad and Mr Arafat could be seen smiling and holding hands at the 20th birthday party of Colonel Gaddafi's revolution. Mr Assad also had talks with the heads of state of the three countries participating in the Arab League's mediation effort in Lebanon – Algeria, Morocco and Saudi Arabia. A month ago, those countries abandoned the effort, citing Syrian obstinacy as one of the main reasons for the deadlock. Now they are about to have another try, on terms which reportedly exclude any reference to the withdrawal of Syrian troops. It looks as though Mr Assad will get his way, and that the only hope for a durable ceasefire, let alone a solution, is for the Christians to accept that a political agreemeot between Lebanese parties has to come before a Syrian withdrawal, not the other way round.

No one could claim that Syria's policy in Lebanon has been anything but brutally self-interested. But certain facts should be kept in mind:

- In this summer's shelling, more civilians have been killed in west Beirut by General Aoun's artillery than in east Beirut by Syrian artillery.
- It is mainly Moslem areas that are occupied by Syrian troops. Syria has not tried to overrun the Christian enclave; it has merely shelled it in response to General Aoun's attempts to "liberate" the rest of Lebanon.
- The Syrian-occupied area is a mosaic of territory controlled by different Shiite, Druze, fundamentalist Sunni and dissident Christian militias. The Syrians have not done a great job at restoring order, but their withdrawal without a political solution would be the signal for a bloodbath just as surely as British withdrawal from Northern Ireland.

Clearly the suffering of ordinary Lebanese people is appalling, and we all could and should do more to bring them humanitarian aid. Equally, diplomatic efforts to bring about a ceasefire and a political solution should be unremitting. They should include attempts to stop arms reaching the contestants – which means putting the squeeze on both Syria and Iraq, a task mainly for the Soviet Union – but also persuading Israel to accept full withdrawal from the south as part of the package, and to resist the temptation to keep the war going in Lebanon as a drain on Arab energy and resources.

As for suggestions of UN or other intervention to disarm the Lebanese combatants or drive out the "invaders," these amount to a call for a re-run of the Korean War in the Middle East. It is hard to see that as a solution, but in any case it is not going to happen. To encourage anyone in Lebanon to think it might is likely only to prolong the bloodshed.

FINANCIAL TIMES
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MINERS FEAR MOSCOW WILL BREAK PROMISES

Soviet strikers may form independent union

By Quentin Peel in Moscow

LEADERS of the July miners' strike in the Soviet Union met in Moscow yesterday to form a National Union of Strike Committees – the most serious move yet towards the development of a genuine independent union movement.

The 140 representatives of strike committees from Donbas, the country's largest coal mining region in the Ukraine, to the pits of northern and central Siberia met for the first time to draft a list of demands before a full-scale plenum of the official Miners' Union which opens today.

The strike committees are still debating whether they should operate within a radically reformed official system – or form a fully fledged rival movement.

Already, work collectives at mines in all the big coalfields have been voted out of office almost wholesale and replaced by strike leaders. However both the trade union leadership and Communist Party officials argue that the official trade unions can change their image and role as docile creatures of the Communist Party and state bureaucracy.

The national strike committees meeting comes as the official union leaders desperately attempt to do just that by drawing up radical demands for a price freeze, controls on co-operative ventures and the like. They held the annual plenum of the All-Union Central Council of Trade Unions only last week.

However, speaker after speaker at the strike leaders' meeting, held with official blessing in the basement of the Sputnik Hotel, angrily criticised the union leaders, calling for a vote of no confidence in them.

Mr Valentin Medvedev, the only official of the Miners' Union to attend, was openly warned that if the strike committees were not given a "decisive voice," they would set up their own independent movement.

They also denounced the Supreme Soviet – the country's increasingly outspoken parliament – for not planning another big debate on their strike demands during the autumn session.

Many strike leaders are now expressing doubt that the Soviet Government will fulfil its promises to meet their demands, including higher wages, higher pithead coal prices, and wide-ranging financial independence for each individual pit, by the deadline of October 1. The more radical coal fields – such as Vorkuta in the far north, and the Kuzbas in central Siberia – are already threatening to walk out again if the deal is not in place.

An important target of the miners' anger is Mr Stepan Shalayev, chairman of the All-Union Council of Trade Unions, who admitted last week that there was a growing "crisis of trust" in the official unions.

The potential political impact of the strike committees was underlined by the presence at yesterday's meeting of Dr Gavriil Popov, a leading organiser of the radical deputies' Inter-regional Group in the Congress of People's Deputies, the parent body of the Supreme Soviet.

There was no mention of President Mikhail Gorbachev's latest appeal for workers not to use the strike weapon in their battle for reform of the Soviet political and economic system.

However, there were two positive moves for the Soviet leader, when nationalist strikers in both Azerbaijan and Moldavia agreed to go back to work.

The former, organised by the Azerbaijan Popular Front, have been promised official recognition, and an emergency session of the republican Supreme Soviet on Friday to discuss their grievances.

The Moldavian strikers, largely Russians and Ukrainians protesting against a law making Moldavian the official republican language, dropped their protest saying the law had been adequately amended.

Toshiba holds back exports of computer

By Ian Rodger in Tokyo

TOSHIBA, the Japanese electrical group which was at the centre of an emotional trade row with the US two years ago, says it is holding back exports of its new laptop personal computer, Dynabook, for fear of sparking off new trade frictions.

Dynabook has been a runaway sales success since it was introduced in the Japanese market less than two months ago, mainly because of its remarkably low price, Y200,000 ($1,360).

Toshiba, which deliberately pitched the price low in a bid to expand Japan's stunted personal computer market, has raised its initial sales forecast from 60,000 units to 90,000 units over the eight-month period to next March.

US and European consumers would probably like the machine too, because it is compact, IBM-PC compatible and has a very clear video display. But Toshiba claims it is afraid to introduce an export version (with the Japanese language facilities removed) for fear of provoking competitors in the US and Europe into political action. At the moment, the company has no plans for introducing it in the US or Europe.

"We do not want to make trouble," Mr Tetsuya Mizoguchi, the division executive responsible for Toshiba's highly successful laptop computer business, said in an interview yesterday.

This may be the first case of a new product being held back from US and European markets because of trade policy considerations. While Toshiba's anxiety may seem excessive or disingenuous, it is not without foundation. Two years ago, US congressmen smashed a Toshiba boom box on the lawn in front of Capitol Hill in protest against the illegal export by a Toshiba affiliate of machine tools to the Soviet Union.

Also, the company is still prevented from exporting many of its products, including laptop computers, to the US because of sanctions applied by the US Government on various Japanese exporters two years ago in retaliation for alleged Japanese infringements of a 1986 bilateral semiconductor trade pact.

The problem with the Dynabook is its price. If the company offered it in the US and Europe, it would have to set a price not far from the Japanese price: in the range of $1,360. However, the closest competitive product in the US, introduced recently by the troubled Zenith Corporation, retails for about $2,000.

Given the strong demand at home, Toshiba is in no hurry to introduce it overseas. Also, the company's existing T1000 series of laptops already provide most of the features of the Dynabook for overseas customers. Mr Mizoguchi denied that the company was delaying introducing the Dynabook abroad because it wanted to protect the market for the T1000 series. "I think the T1000 would continue to sell well. It is a lower-range product; we have just reduced the US price to $999".

US targets S Korea for praise over trade

By Maggie Ford in Seoul

MR Robert Mosbacher, the US Commerce Secretary, yesterday applauded South Korea's performance in opening its markets and said the two countries shared similar views and were working together as trading partners.

In a pointed comparison he said he intended to deliver a strong message in Japan later this week about closed markets and the need for a commitment to free trade.

"Thankfully, I don't have that kind of message to deliver in Korea," Mr Mosbacher said. "Our trade deficit with Korea, while substantial, is not the same cause for alarm as our immense deficit with Japan."

The Commerce Secretary did, however, identify several areas still needing action by Seoul, including protection for intellectual property rights, agricultural and telecommunications imports.

He said Seoul needed further to open its market in services, including transport advertising and accounting, and to reduce red tape restricting imports.

South Korea's request for protection for balance of payments reasons under the procedures of the General Agreement on Tariffs and Trade could not be justified any longer, he said.

South Korea would need more high technology to make the leap to full advanced country status, and the protection of intellectual property rights was essential if such technology was to be transferred, Mr Mosbacher argued.

He welcomed the agreement reached in Washington between the two countries on driftnet fishing in the Pacific and on the protection of sensitive technology.

Mr Mosbacher's praise will encourage South Korean ministers who have been under exceptional pressure from big companies to take measures to boost exports. Companies have complained that the appreciation of the won currency and large pay rises have weakened the economy.

South Korea registered a current account surplus of $2.9bn in the first half of this year compared with $7.1bn for the same period in 1988.

The trade surplus reached $2.4bn compared with last year's $5.6bn. Exports rose 5.5 per cent compared with a 27.8 per cent rise last year. Officials have resisted the pressure, arguing that the huge increases in the past were unsustainable.

Companies must make adjustments such as moving into higher technology goods and relocating lower quality industries offshore to lower wage countries, they believe.

Mosbacher: applause

Norwegian election heads for stalemate

By Robert Taylor in Oslo

NORWAY appeared to be heading towards political stalemate last night according to early projections on yesterday's general election result. These suggested that both the country's largest parties – Labour and the Conservatives – have suffered heavy losses with big gains for the right-wing Progress Party and surprisingly for the far left Socialists.

Labour's Prime Minister, Mrs Gro Harlem Brundtland, is expected to try and stay in power. Her party was projected to poll 33.4 per cent of the vote and secure 62 seats in the new 165-seat parliament, a fall of 8 percentage points and a loss of nine seats on the last election.

But the Socialist Party looked like getting 17 seats in the new parliament with 10.5 per cent of the vote, compared with six seats and 5.4 per cent of the vote four years ago. Thus the Socialist bloc on early projections will have 79 out of the 165 seats in parliament, short of an working majority.

However the outcome did not look very promising either for Mr Jan Syse, the Conservative Party leader, in his efforts to form a non-socialist coalition government. His party looked set to lose 10 seats – down to 37 – and poll only 22.1 per cent of the vote, 7 per cent down on the last election.

The Progress Party under the charismatic Mr Carl I Hagen was projected to have polled 13.6 per cent of the vote and secured 23 seats, a dramatic improvement on the 3.7 per cent vote and two seats it won four years ago.

In the fierce horse trading now likely to break out, it looks as if it will be difficult for Mr Syse to bring Progress and the other smaller parties into a government.

None of the smaller parties had particularly good performances. The Centre looked likely to lose seats and its vote was expected to fall marginally, with a similar outcome for the Christian People's Party. The Liberals were expected to gain only one seat.

Without Progress, the non-socialist block seemed likely to have only 62 seats in the new parliament, far below what they needed to ensure a working majority.

Ferranti stock market surprise

Continued from Page 1

bombs and security systems in the Middle East. ISC refused to comment on yesterday's announcement from Ferranti that material problems at the Pennsylvania-based subsidiary had prompted a review of its 1988-89 accounts.

Ferranti denied speculation that its problems were connected with Italy's Banca Nazionale del Lavoro scandal over unauthorised loans for defence exports to Iraq. However, it refused to comment on speculation on the stock market that it had run into trouble with contracts in Pakistan.

Cheaper Jaguar XJ6 for US

Continued from Page 1

forecast an increase of around 10 per cent in US sales this year following falls in both 1988 and 1987, but US sales fell 5.2 per cent to 10,837 in the first seven months.

In the same period Mercedes-Benz's US car sales have dropped by 16.2 per cent and Porsche's by 43.6 per cent.

Jaguar's profits have been hit by a series of factors. The biggest impact has come from exchange rates, however. The company's 1989 dollar revenues are hedged at $1.70-£1.00 compared with $1.55 last year, which automatically reduces the company's pre-tax profits by around £45m.

Companies identified in Italian bank scandal

By Alan Friedman in Milan

Investigators in Rome have identified more than 20 British, US and Italian companies which they believe were involved in trade with Iraq in militarily useful equipment and technology financed by some $300m of export credits from the Atlanta, Georgia branch of Banca Nazionale del Lavoro (BNL). Until now only a handful of companies and around $100m were thought to be involved.

The discoveries come as concern grows among Italian Government officials that Baghdad might make the payment of a total of up to $4bn of outstanding debt owed to Italian companies conditional on the receipt of about $920m of unused Atlanta-generated BNL credit lines.

This $920m worth of commitments, now blocked by BNL, will be at the heart of a forthcoming meeting between BNL and Iraqi officials.

If BNL were to make the payments, its total Iraqi exposure would rise from $1.7bn to $2.6bn, of which only $720m is covered by US Commodity Credit Corporation guarantees and the rest by the Iraqi central bank.

The discovery of new company names that are believed to have sold "dual use" equipment – apparently for civilian use but with military applications – has been made difficult for investigators because most of the letters of credit make only vague reference to final use for the money. Among the favoured product descriptions contained in the credits are terms such as "heavy equipment," "raw materials" and "engineering."

In Rome, the Iraqi embassy said yesterday that it would respect "all accords that are just and legal" and added that its loan dealings with BNL's Atlanta branch were all fit and proper and dated back to 1982.

The Iraqi statement, which contradicts the findings of serious irregularities with the Atlanta loans by the US Federal Bureau of Investigations, US Federal Reserve, the Bank of Italy and BNL itself, also contradicts previous disclosures in Rome and Atlanta that the 2,500 unauthorised letters of credit were issued by BNL's Atlanta branch between February 1988 and July 1989.

It also emerged yesterday that when the BNL scandal was first discovered in early August the Atlanta branch was preparing to issue a further $300m to $400m of Iraqi credits.

During the months of June and July, BNL's Atlanta branch had issued dozens of credits each working day.

Fresh indications of BNL's inadequate internal controls have emerged from the disclosure that a BNL internal auditors' report from Atlanta apparently noting irregularities was sent to BNL's New York office in September 1988, but not forwarded to Rome for several months.

THE LEX COLUMN

Ferranti's signal catastrophe

Any lingering suspicion that Ferranti's recent dismal performance has been more a case of bad luck than bad management will have been squashed by yesterday's precipitate action. The postponement of the annual general meeting is a minor irritation but for a major British company to ask for the suspension of trading in its shares for an indefinite period, presumably because it is worried that there will be a false market, shows that the management does not know what is going on. What makes this particularly embarrassing, is that it is only a month since the company's auditors and directors gave their blessing to the latest report and accounts.

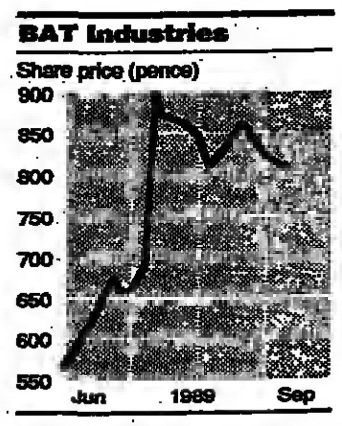
The deplorable lack of information with yesterday's statement means that the City has little way of knowing just how bad the news is; but the fact that it was felt sufficiently serious to warrant the share suspension is ominous. Ferranti's merger with the secretive ISC never seemed to make a lot of sense, and the management's strategy looks especially questionable now that it has stumbled on a black hole in the carrying value of some of ISC's overseas contracts. Ferranti is already relatively highly geared, given its future commitments, so the possibility that its balance sheet ratios will be stretched further by the need to make substantial write-offs is ratherfrightening.

In terms of its stock market capitalisation of £550m, Ferranti is a relatively minor player. But its strategic importance means that the Ministry of Defence will probably be even more concerned than the institutions about its future prospects. The pressure to find a wealthy new partner/owner for Ferranti is on, which should provide some comfort for the shares when they eventually resume trading.

BAT/Hoylake

It would all be so much easier if the Takeover Panel had dealt before with anything like Hoylake's travails with the US insurance regulators responsible for BAT's Farmers subsidiary. Yet the Panel has no exact precedents in considering this week whether Hoylake can try to clear the regulatory hurdles by lapsing its bid for BAT, then trying again before the end of the usual 12-month waiting period.

Some of BAT's largest shareholders feel the Panel should make it clear that foreign regulators cannot cripple UK bids. The point is very fair, but it would be dangerous for the Panel's ruling to hinge upon it. As regards European regulators, the issues are being thrashed out in the EC's deliberations over its 13th directive on takeovers. As for the US, the number of different regulators and law courts gives the Panel no alternative but to deal with each individual bid situation as it arises.



In general,the Panel may allow a bidder extra time if it feels that keeping rigidly to the normal timetable would mean depriving shareholders of a proper chance to consider the bid. In the Hoylake case, the Panel's decision is subject to a big if. There is a formidable pile of documents, consisting of Hoylake's and BAT's correspondence with the insurance commissioners. If the record shows Hoylake has genuinely done all it can to speed its US regulatory approvals, and still cannot meet the UK bid timetable, the Panel should agree to its request. If not, the bid should follow the normal timetable. It will then be up to BAT's institutional shareholders to take over the initiative from Sir James Goldsmith if they want BAT undbundled.

New Issues

The British love queueing, so it ought to be no surprise that the City's new issue queue is back after a brief six month hiatus. It would, of course, be terribly embarrassing for two banks to start calling the institutional underwriters on the same day, although given the current level of activity in the market, most corporate finance departments ought to be only too glad of the business.

This is admittedly a modified queue, in which the big boys can still push in, so long as they notify the Old Lady at the front. The old first come, first served system is perhaps too polite for these thrusting Thatcherite times. But if the queue works, then the regulators will have inched a little closer to their ideal – an "orderly market". Sadly, creating a profitable market will require a little more ingenuity.

Meggitt/USH

United Scientific has been a company ripe for takeover for two to three years – but whether Meggitt is the best candidate as a predator is another question. Not long ago, Meggitt seemed to be playing down its defence ambitions and USH, as illustrated by the disposal of OEC, is trying to reduce its overdependence on the sector. Now suddenly, Meggitt plans to create a combined group with 40-45 per cent of its business in defence, and to allow acquisitions to restore the balance. This enthusiasm sits oddly with Meggitt's unwillingness to break out the contribution from defence in its interim figures.

The industrial arguments for merger are fairly trivial – the odd related component here and there in a multi-billion dollar market – and even a combined Meggitt/USH will still be a minnow when compared with the leading players in the sector.The key issue is whether Meggitt's management can make sufficient improvements at USH to avoid any earnings dilution, or whether USH's problems are so deep as to defy solution. Despite its successful record of turning round troubled acquisitions, Meggitt may find that the louder it proclaims the advantages of the USH deal, the more quickly a rival bidder is stirred from slumber to make a counter-offer.

Cellular phones

The muted reaction of the British Telecom and Racal Telecom share prices to the sight of another massive bid in the US cellular phone industry had more to do with uncertainties about valuing the complex deal than anything else. It is good news for Racal Telecom since it shows that knowledgeable bidders are still not afraid of current valuations. For BT it is not quite such good news since if it really wants to become a world leader in the industry, it will have to persuade its US partner to outbid BellSouth, a company even larger than BT itself.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	27	81	Dubrovnik	S	21	70	Malta	S	30	86	Rhodes	S	27	81
Algiers	S	27	81	Edinburgh	R	12	54	Manchester	C	17	63	Rio de J'o	F	31	88
Amsterdam	S	19	66	Faro	S	22	72	Manila	R	30	86	Rome	C	22	72
Athens	S	29	84	Florence	F	21	70	Melbourne	C	11	52	Salzburg	S	22	72
Bahrain	S	35	95	Frankfurt	S	24	75	Mexico City	C	26	79	San Francisco	C	14	57
Bangkok	F	34	93	Funchal	S	23	73	Miami	F	27	81	Seoul	F	25	77
Barcelona	F	23	73	Geneva	R	15	59	Milan	R	17	63	Singapore		–	–
Beirut		–	–	Gibraltar	S	25	77	Montreal	C	17	63	Stockholm	S	15	59
Belfast	S	15	59	Glasgow	F	15	59	Moscow	R	12	54	Strasbourg	S	24	75
Belgrade	C	21	70	Guernsey	C	15	59	Munich	S	22	72	Sydney	F	19	66
Berlin	F	19	66	Helsinki	F	14	57	Nairobi	C	23	73	Taipei	R	28	82
Biarritz	C	20	68	H Kong	S	34	93	Naples	F	25	77	Tangier	S	23	73
Bombay	F	30	86	Innsbruck	S	22	72	Nassau	C	31	88	Tel Aviv	S	33	91
Bordeaux	F	22	72	Inverness	F	12	54	New Delhi	S	33	91	Tenerife	F	25	77
Brussels	S	21	70	Islamabad	F	37	99	New York	S	26	79	Tokyo	S	30	86
Budapest	C	21	70	Istanbul	F	26	79	Nice	R	19	66	Toronto	F	16	61
B Aires	F	19	66	Jakarta	C	33	91	Nicosia	S	28	82	Tunis	F	30	86
Cairo	S	39	102	Jersey	C	20	68	Oporto	S	19	66	Valencia	S	25	77
Cape Town	F	19	66	Jo'burg	S	21	70	Oslo	S	15	59	Venice	F	22	72
Caracas	C	28	82	Lima	C	17	63	Paris	S	22	72	Vienna	S	21	70
Casablanca	F	23	73	Lisbon	S	24	75	Peking	S	28	82	Warsaw	F	15	59
Chicago	S	13	55	London	C	18	64	Prague	S	21	70	Washington	S	25	77
Cologne	S	24	75	Los Angeles	C	16	81	Reykjavik	R	11	52	Zurich	S	21	70
Copenhagen	S	17	63	Luxembourg	C	20	68								
Corfu	S	28	82	Madrid	F	22	72								
Dallas		–	–	Majorca	F	25	77								
Dublin	C	15	59	Malaga	S	25	77								

Readings at mid-day yesterday
C-Cloudy Dr-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Bitter dispute over E German exodus

Continued from Page 1

fresh from East Berlin, said yesterday that they expected the authorities would divert trains bound for Bulgaria via the Soviet Union rather than allow them to pass through Hungary for fear of even a bigger exodus of the country's younger generation.

No matter what decision it chooses to take, Hungary's own independent stance has finally punctured the unanimity which characterised Eastern Europe's post-war policy.

Horst, a twenty-one year engineer from Dresden could only think about the West. "I never want to think about them [the East German government] again" he said.

His friends, whose belongings could fill a large shopping bag, are all skilled workers, some employed in telecommunications, others as teachers.

"Nothing changes back there. The regime is falling apart. Why hang around. We want to start a new life" said Barbara, a twenty-five year computer programmer.

Mr Hans Klein, the Bonn Information Minister, read out a personal message on the border from Chancellor Helmut Kohl welcoming the emigres as "our German compatriots."

At the annual conference of his Christian Democrat party in Bremen yesterday, Mr Kohl said West Germany had a "duty" to welcome the East Germans as wanting to live in "the free part of our Fatherland."

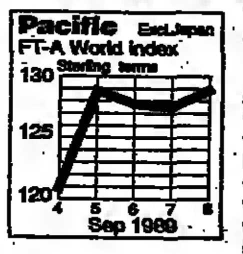
FINANCIAL TIMES
COMPANIES & MARKETS
Tuesday September 12 1989

INSIDE

Meat boycott in the Middle East

Business is slow in the Abu Dhabi butcher shop of Azzam Hassan al Bayd. With a cool-store full of carcasses of Australian sheep, and customers of his shop and others throughout the Gulf deserting Australian meat products in droves, Mr al Bayd is worried. Meanwhile, the Australian Meat and Livestock Corporation is preparing to bring forward a publicity campaign to restore consumer confidence following allegations in a Gulf newspaper that live sheep exported to the Middle East are a threat to pregnant women and the camel population of the Arabian peninsula. Tony Walker reports on a dispute that threatens Australia's entire meat trade with the Middle East. Page 38

Ray of light brightens gloom



Weakness on Wall Street and in Tokyo took the FT-Actuaries World Index into decline for the second consecutive week. However, there was consolation in Europe, where West Germany, for example, was lifted by good economic news, and in Asia Pacific markets like Hong Kong, Malaysia and Singapore, which – having their currencies linked to the US dollar – have seen share price performance in sterling terms enhanced. Page 50

Sending out signals

The announcement of the proposed merger between the two Swiss companies, Inspectorate International and Adia, is an indication of the seriousness with which Inspectorate is refocusing its interests and cutting away activities outside what it now defines as its core businesses. This means, says Afan Cana, that the information technology division – comprising Meridian, a US computer leasing company, and Maridian International, a European computing services company – will be among the first to go. Page 25

Dreaming amid the spires

A longstanding dream became reality yesterday, when Oxford Instruments Group, the high technology company chaired by Sir Austin Pearce (left), bought Link Scientific Group from Carlton Communications, the television services business. Link, Oxford's largest acquisition to date, was the principal strategic attraction when Oxford and UEI opened unsuccessful merger talks in 1987, and Oxford approached Carlton about buying the division immediately after the TV group announced its agreed bid for UEI, the digital processing and engineering company, earlier this year. Andrew Hill reports. Page 28

Bond shares hit fresh low

A further bout of selling yesterday took shares in Bond Corporation, the debt-burdened flagship of Mr Alan Bond's besieged business empire, to a fresh low of 30 cents un Australia's etock axchanges, down 10 cents on the day. The fall, which at ona point pulled tha shares as low as 27 cents, followed estimates that the group now has a negative nat worth of as much as A$2.29 per share, and renewed contruversy over a A$3.5bn (US$2.7bn) plan to sell its brewery interests to the 58 per cent-owned Ball Resources. Page 25

Market Statistics

Companies in this section

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				**Rises**			
Harpener	485	+	5	Cetelem	693	+	18
Schering	829	+	10.5	Chargeurs	1220	+	34
Falls				**Falls**			
Aachener				Club Med	643	–	6
Muench	910	–	25	Cofimeg	355	–	7
Deutsche Bank	675	–	11.5	Dumez	1070	–	32
Mercedes Hlds	681	–	10	Paris Reso	479	–	10
NEW YORK ($)				**TOKYO (Yen)**			
Rises				**Rises**			
AMR	82¾	+	1¾	Asagami	1550	+	160
BellSouth	51	+	½	Nippon Soda	1020	+	105
Dunkin' Donuts	45	+	4	Toyo Telecom	1680	+	180
LIN B'casting	108⅛	+	2⅝	**Falls**			
Falls				Chiyoda Shoe	3340	–	360
UAL	277¼	–	2½	Mos Food Serv	7250	–	690
Universal Foods	33⅞	–	⅞	York-Benimaru	3000	–	300

New York prices at 12.30.

LONDON (Pence)							
Rises				DRG	590	–	14
Fairline Boats	670	+	35	Grand Met	615	–	15
Hazlewood	275	+	7	Ocean Trans	348	–	28
Nat Telecom	98	+	14	Oxford Insts	269	–	11
Sovreign Oil	215	+	5	Polly Peck	388	–	25
Unigate	430	+	4	Reed Intl	437	–	10
Utd Scientific	175	+	39	Rosehaugh	650	–	10
Falls				Rothmans 'B'	647	–	11
Allied-Lyons	550	–	15	Scholes (Geo)	192	–	20
BAT Inds	803	–	10	Wellcome	687	–	18
Burmah	629	–	10	Whitbread 'A'	394	–	11
Campari	225	–	13				
Cookson	340	–	9				

US telephone groups link up

By Anatole Kaletsky in New York

LIN BROADCASTING, the US cellular telephone and TV company which has rejected a $6bn takeover bid from McCaw Cellular Communications, yesterday announced a merger agreement with BellSouth, the "Baby Bell" local telephone operator for the southeastern US.

The complex merger deal, which included a financial restructuring and special cash dividend for LIN shareholders, would create by far the most powerful cellular telephone business in North America and seriously jeopardise McCaw's hopes of emerging as the dominant cellular operator in the US.

Many analysts on Wall Street predicted, however, that McCaw would now come back with a significantly higher bid than its last offer of $110 a share in cash. In mounting a higher bid, McCaw could try to draw on new financial support from British Telecom, its 22 per cent shareholder.

In yesterday's deal with BellSouth, LIN said it would spin off its television operations directly to its shareholders in a separate company and pay a special cash dividend of $20 a share. The remaining cellular operations would then take over BellSouth's cellular interests, in exchange for which BellSouth would receive about 54m newly-issued LIN shares, which would represent 50 per cent of the merged company's common equity.

LIN added that it might make BellSouth a further payment in the form of preferred stock to the extent that the net tangible assets transferred to the combined company by BellSouth exceeded those contributed by LIN by more than a specified amount.

After the merger and restructuring was completed LIN's shareholders would end up with a 50 per cent stake in the combined cellular company, which would serve 40 markets around America including five of the nation's top 10 cities – New York, Los Angeles, Philadelphia, Dallas and Houston. LIN's current shareholders would also receive 100 per cent ownership of the company's seven TV stations and $20 a share in cash. Analysts said they expected LIN to finance the cash dividend by borrowing about $1bn.

Communications analysts on Wall Street put the deal's apparent value to LIN shareholders at between $100 and $110 a share. The new cellular company would trade between $70 and $80, assuming a stock-market valuation of between $190 and $200 for each of its 46m potential subscribers, according to Mr Alvin Mirman of Gruntal & Co and Mr Sal Muoio of the Gabelli Fund.

But most analysts added that a merger with BellSouth would be considerably more attractive to many shareholders than a cash bid from McCaw. The BellSouth merger would be tax-free, except for the $20 cash dividend.

For some institutions and investors another more fundamental reason for favouring the BellSouth merger would be the opportunity it would provide to retain a stake in the combined cellular company.

"Craig McCaw has been promising to turn his company into the AT&T of the cellular business and that was the basis for BT's $1.4bn investment," said Mr Geoffrey Johnson of Argus Research. "Unless he can get LIN he has no chance of fulfilling his and BT's ambitions."

Lex, Page 20

Pembridge considers cash offer for DRG

By Clare Pearson in London

PEMBRIDGE Invastments, Bermuda vehicle for Mr Roland Franklin, the New York-based investor, yesterday confirmed market expectations with an announcement that it was considering making a cash offer for DRG, the paper and packaging group which owns the Sellotape and Basildon Bond writing paper brands.

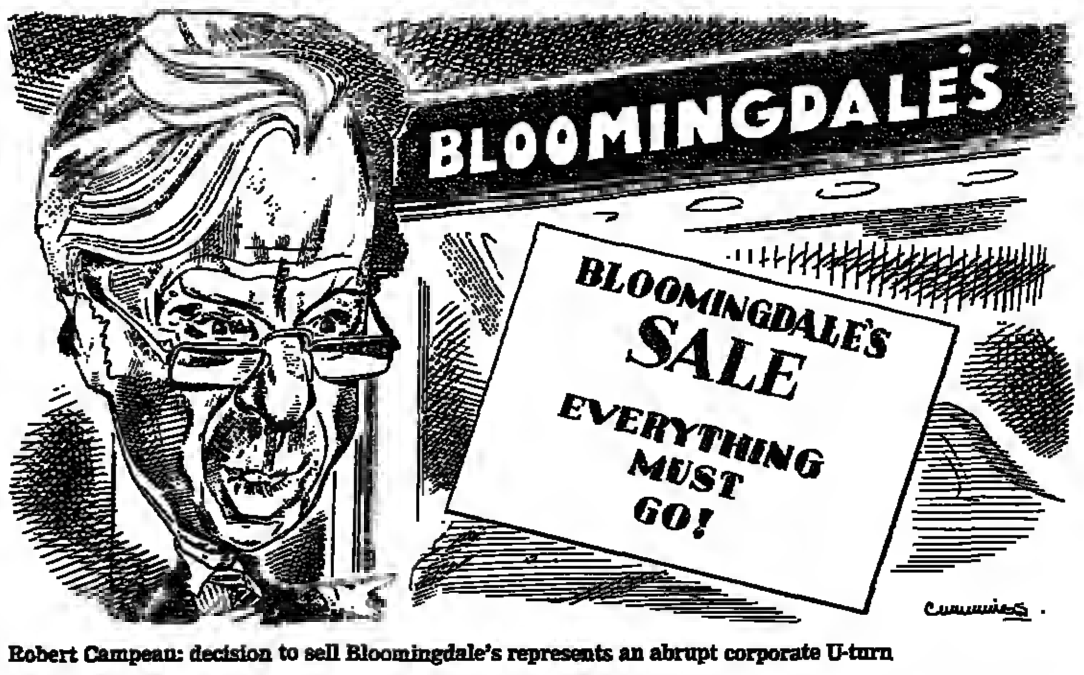
Pembridge has built up a near-25 per cent stake in DRG.

DRG'e shares fell 14p to 590p, valuing the company at £640m ($992m). DRG said it could see "nu commercial or industrial logic in this unsolicited and unwelcome approach".

Based in the US for some years, Mr Franklin is best known as a former joint managing director of Keyser Ullman, the merchant bank which was a victim of the 1974 secondary banking crisis.

Mystery still surrounds the other investors in Pembridge, but Mr Franklin confirmed that his business associate Sir James Goldsmith does not feature in the list of unidentified "B", non-voting, shareholders.

DRG is expected to announce interim pre-tax profits of about £38m, up from £28m, tomorrow.



Robert Campeau: decision to sell Bloomingdale's represents an abrupt corporate U-turn

The winter sale that caught everyone cold

David Owen in Toronto looks at Campeau's surprise decision to sell its Bloomingdale's stores chain

Messrs Robert Campeau and Ronald Tyson will have some explaining to do at today's board meeting of Campeau Corporation, the highly leveraged Canadian retail and property group.

First and foremost, the company chairman and his trusty chief executive must outline what precipitated the decision to put Bloomingdale's up for sale in one of the most abrupt corporate U-turns of recent years.

In the group's 1988 annual report, after all, the prestigious department-store chain – acquired just 16 months ago in Campeau's ambitious US$6.6bn purchase of Federated Department Stores – was singled out as a division earmarked for aggressive expansion.

Hitherto, it was widely assumed Bloomingdale's would be sold only over the mercurial Mr Campeau's dead body.

The two men must also indicate the exact nature of the "liquidity needs" at Federated and Allied Stores – acquired for US$3.6bn in December 1986 – that have forced Campeau to turn again to the Reichmann brothers' Olympia & York Developments (O&Y) for assistance.

The company is negotiating a possible US$250m convertible secured loan with O&Y. The privetely-held property and resources group has a minority stake of about 24 per cent fully diluted in Toronto-based Campeeu, besidee providing two members of the 20-strong board.

If fully converted, such a loan would almost certainly result in Mr Campeau's personal stake in the company falling below the 50-per ceut threshold.

On one level, the two executives' explanatiou will presumably be fairly straightforward: the company's eye-popping debt burden – which weighed in at almost US$11bn (supported by total shareholders' equity of just US$88m) as of January 31 – is threatening to bring it to its knees.

The Bloomingdale's disposal is "a last-minute fire-sale", according to Mr Walter Loeb, a retailing analyst with Morgan Stanley in New York. The continuous drain of befty interest payments, conpled with the seasonal need for working capital to tide operating units over during the critical Christmas period (and the opening this autumn of a big new Abraham & Straus outlet in Manhattan) are clearly taking their toll.

By September 15, moreover, Campeau must pay US$400m to First Boston, or forfeit 6.96 per cent of Federated's common stock. The amount represents the unpaid portiou of a US$1.15bn bridge-loan provided last year hy the underwriter to help finance the Federated deal.

The company had originally intended to repay the loan with the proceeds uf a US$1.15bu junk-boud issne. But, having been poorly received, this issue was ecaled down to US$750m. Campeau had intended to make good the shortfall with some of the proceeds from a proposed mortgage financing, secured by the properties owned hy Federeted and Ralphs Grocery Company, the group's southern Californian supermarket division. As of this week, however, commitments for this refinancing had not yet been received.

These problems were viewed as serious enongh ou Friday to prompt Campeau shareholders to drop their stock like hot coals. The shares plummeted C$3⅜ to C$18⅜ on the Toronto Stock Exchange on very heavy volume of more than 500,000.

Many, nevertheless, expressed surprise that they were deemed grave enough to warrant the disposal of the outstanding jewel in the Federated crown.

"The severity of the announcement was very surprising to me," said Mr Ross Cowan, an analyst with Levesque, Beaubien Geoffriou in Torouto. "Losing 7 per cent of Federated wouldn't be enough in isolation to explain the events we have seen."

Such observers are accordingly casting around for possible longer-term motives. They point to two plausible alternatives.

The first suggests that Campean may be taking a dimmer view of the US economic and consumer-spending outlook, and has decided to offload a large chunk of debt as a precautionary measure. Certainly, the first indications thet President Bush may not be as averse as all that to raising taxes will have done little to gladdeu the heart of any North American retailer.

The second holds thet Mr Campean is paving the way eventually to take the group private in concert with the Reichmanns. It could cost as little as C$200m ($169.5m) to buy out remaining minority shareholders.

The Bloomingdale's sale – which is expected to yield between US$1.1bn and US$1.5bn – would raise money for this purpose, as well as reduce debt. Ill-founded rumours that a tender offer was in prospect might explain why Campeau shares rose so sharply on Thursday morning before trading was halted pending consultatiou

Two particularly interested participants in today's meeting will be Mr Edward DeBartolo, the US shopping-mall developer, and Mr Marvin Traub, the long-time chief executive of Bloomingdale's.

Mr Traub is widely regarded as favourite to purchase Bloomingdale's, via a management buy-out. With rival bidders likely to include European and Japanese investors, as well as US groups like May Department Stores and The Limited, however, it is far from certain that a Traub offer would prevail.

Bloom of the Upper East Side

"THE GESTAPO would take away your Bloomingdale's charge card and you'd tell them everything," said Woody Allen to Diane Keaton in the film 'Annie Hall', writes Karen Zagor.

From women's underwear with the Bloomies logo holdly embossed across the bottom to the first in-store Ralph Lauren bontique, Bloomingdale's has heen a long-time leader in department store trends.

The chain was founded in 1872 by the Bloomingdale hrothers, Joseph and Lyman. In 1886 the flag-ship store moved to its present Upper East Side site, and its current full-block art deco building opened in 1931.

When the Federated Department Stores group was started in 1929, Bloomingdale's was one of the founding stores, and there are now 16 Bloomingdale'e department stores in the US.

The New York store was given an early boost when a subway stationed opened immediately below its 59th street site in 1915. However, the subway stop has become something of a liability in the 1980s, as shoppers stumble over the sleeping homeless who make their cardboard beds on the steps leading to the station.

The chain employs about 14,000 people and, although about 5,000 jobs were cut at Federated after Campeau acquired the group, very few jobs were lost at Bloomingdale's.

Analysts believe that the store's operations would be basically healthy without the huge debt incurred by the Campeau takeover.

Last year Bloomingdale's had turnover of just over $1.2hu, slightly ahove the previous year's $1.1bn.

Daimler accepts MBB conditions

By Andrew Fisher in Frankfurt

ONE OF the most hotly-debated takeovers in West Germany's history will finally proceed after Daimler-Benz, the West German industrial concern, yesterday accepted the conditions laid down by the Government for its takeover of Messerschmitt-Bölkuw-Blohm, tha aerospace company. Mr Edzard Reuter, Daimler's chief executive, said these could "just be accepted without putting into question the whole industrial concept."

The diversified motor manufacturer will pay DM1.7bn ($859m) for 50.01 per cent of MBB, which has a turnover of around DM8bn. Daimlar, which yastarday announced a 1 per cent drop in half-year net profits to DM830m, expects turnover this year to be around DM75bn.

The Government's go-ahead was announced on Friday by Mr Helmut Haussmann, the Economics Minister, in a decision that overturned a previous ruling of the Federal Cartel Office. One condition laid down by Mr Haussmann is that the enlarged group sell its profitable marine defence technology activities, which have a turnover uf some DM900m. Another is that the state-owned bank Kreditanstalt für Wiederaufbau sell to Daimler in 1996, three years earlier than planned, the 20 per cent stake in Deutsche Airbus it is acquiring from MBB as part of the deal.

However, Mr Reuter said this would have to be reconsidered if, by this date, insufficient progress had been made towards privatisation of the whola European airbus venture. The German share of the airbus consortium is 37.9 per cent.

At s press conference in Stuttgart, where Daimler is based, neither Mr Reuter nor Mr Jürgen Schrempp, the director in charge of Daimler's newly-formed Deutsche Aerospace subsidiary, was prepared to eay how much restructuring would be needed at MBB to improve its profitability.

Mr Schrempp said changes would be uecessary to make MBB fully competitive, repeating that Daimler could give uo job or plant guarantees. Decisions on these qnestions would have to be made in consultation with the states of Bavaria, Hamburg and Bremeu, in which MBB has plants. The states will still have a 38 per cent stake in MBB after the takeover.

Commenting on worldwide sentiment in favour of disarmament, Mr Reuter said the group's technologically-based strategy would still be correct, even if the disarmament trend strengthened. Mr Schrempp pointed ont that defence would sccount for only 8.5 per cent of the enlarged group's turnover.

Meggitt bids for Utd Scientific

By Andrew Bolger and Clay Harris in London

MEGGITT, the specialist engineering group, yesterday made a £115m bid for United Scientific Holdings, the defence contractur which recautly announced a £5.5m pre-tax loss for the first half of 1989 and passed its interim dividend. USH rejected Meggitt's bid as unwelcome and inappropriate.

USH which owns Alvis, the armoured vehicle manufacturer which makes the Scorpion light tank, has suffered heavy losses on fixed-price contracts for night sights at its Avimo subsidiary.

Mr Ken Coates, Meggitt's group managing director, said the bid offered an answer to the "dreadful management performance and disarray" which had led USH into its present plight. USH had "a sound product range which its management has failed woefully to exploit," he said. "They have had three chairman, three chief executives, and at least twu finance directors in the last five years." Mr Nick Prest, USH's depnty chief executive, countered that former changes were uo guide to the performance of the present management.

Meggitt is a defence contractor in its own right, supplying electronics and control systems particularly in the aerospace sector. If the bid succeeds, defence contracts will account for 40 per cent of the combined group's turnuver. Mr Coates said future acquisitions would aim to reduce this exposure.

Meggitt reported a 41 per cent increase in pre-tax profits to £12.18m (£8.63m) on turnover ahead by 19 per cent to £115.4m (£89.5m) for the six months to June 30. The interim dividend is raised 22 per cent to 1.1p (0.9p), on earnings per share up hy 12 per cent to 5.03p (4.5p).

USH also announced an agreement to sell a US subsidiary, Optic-Electronic Corporation, for $65m (£42m) to Imo Industries of New Jersey.

With Meggitt shares closing 7p lower at 116p, its 130-for-100 paper offer values each USH ordinary share at 151p. There is a partial cash alternative of £85 plus 65 shares for every 100 shares (worth 160p), and a mix-and-match facility worth up to 170p. All three versions lagged behind USH's market price, which jumped 29p to 176p yesterday.

Meggitt already owns 3 per cent of USH's shares.

N.M. Rothschild, the merchant bank, started the day as financial adviser to both companies and ended it as adviser to neither. Meggitt chose Lazard Brothers to launch the bid, and Rothschild – because of its close links to both companies – was obliged to withdraw from USH's side in favour of Samuel Montagu.

Hostilities begin, Page 28

INTERNATIONAL COMPANIES AND FINANCE

Davy eyes European joint ventures

By Nick Garnett

DAVY CORPORATION, the UK engineering and project contracting company, is considering setting up a joint venture business with one of its European competitors.

The company has been in discussions with at least two continental European project engineering groups, but one of these has dropped out of the talks.

Davy, which made a pre-tax profit of £28.8m on sales of £968m in the year to March, designs and project managers the construction of plant for the metals, chemicals, offshore and general processing industries.

It also has a building company and several manufacturing businesses in steel plant and mechanical handling.

The discussions are believed to involve the placing of one of Davy's six divisions into a joint venture business with another European company.

It is thought likely that this will be either the metals or the process division, which includes Davy's chemicals plant operations.

The contracting industry believes Davy might be more interested in a joint venture company in the metals sector, which includes design and project work for steel plant and that it might be in talks with a West German company.

On their own, steel-related projects account for between £200m and £300m ($465m) of Davy's turnover.

Mr Roger Kingdon, Davy's chief executive, declined to provide details of the discussions.

However, he said the rational for such a joint venture business was to lower the cost base for design and selling of plant and, if possible, to find a partner with additional technological capability.

This would help it compete with large US and Japanese engineering construction groups, he added.

Roger Kingdon: has declined to reveal details of talks

Davy, which claims to be Europe's largest engineering construction group has enjoyed a high level of orders in the past few years on the back of the worldwide recovery in plant construction and modernisation.

Mr Kingdon said its principal markets remained strong. He added though that the company was looking to strengthen its overall position for when world plant demand, which is cyclical, was not so strong.

Leading West German plant contractors in the metals sector include SMS and Mannesmann Demag which recently bought some of the engineering interests of the Fried. Krupp group. German companies in processing plant include Lurgi and Uhde.

Other large European project engineers include Snamprojetti and Italipianti in Italy, and Clecim in France.

The two biggest US groups are Bechtel and Fluor Daniel, and in Japan they include Sumitomo, IHI and Mitsubishi.

Salomon to launch Chilean fund this week

By Barbara Durr in Santiago

SHARES in the $60m international investment fund for Chile, created by Salomon Brothers, will go on offer this week.

"This is the first step toward the internationalisation of the Chilean stock market," said Mr Mario Lobo, a partner in the Santiago investment company Celsius, which is an associate of Salomon Brothers.

The Chile Fund, as it is known, which brings fresh capital to Chile, is the first and largest of its kind in country. Although two other international investment funds exist, they are based on monies from debt conversion.

Three other smaller funds for direct foreign investment in Chilean equities markets have also been authorised.

Citibank has just created two small funds of $4m each and Batterymarch, the Boston-based investment company, has also recently brought in $15m under its Equity Fund for Latin America in Luxembourg.

A Salomon Brothers sales team will visit European and US cities, and of the 4m shares available, 1.4m will be offered in Europe and 2.6m in the US and Canada.

The fund, a closed-end, non-diversified investment company, intends to invest some 75 per cent of its funds in Chilean equities by the end of its first six months.

By law it is obliged to invest 80 per cent of its monies in equities by the end of three years. The other 20 per cent can be invested in unlisted securities.

Capital cannot be repatriated for five years. The fund will be managed by BEA Associates, with local advice from Celsius.

Mr Lobo said that investor interest in the fund, principally from such large institutional investors as pension funds, insurance companies and portfolio managers, was running so high that it appeared the fund would be oversubscribed quickly.

Part of the attraction for the fund is the considerable profits made in recent years on the Santiago Stock Exchange. Price/earnings ratios for the most actively traded stocks as of December 1988 was approximately 4.9. As of mid-June 1989, the p/e ratio of the most actively traded shares was 5.25.

An additional attraction is that the fund is only taxed 10 per cent, compared with the normal tax rate for foreign investment of 32.5 per cent.

The fund's preliminary prospectus, however, is full of warnings about the possible problems of investing in Chile.

Profits, for example, will be made in Chilean pesos, but distributed in US dollars, making them sensitive to currency devaluations.

The minuteness of the market also exposes it to price volatility.

The fund represents about 9 per cent of the 1988 annual trading volume of the Santiago Exchange and 0.91 per cent of the aggregate value of bonds outstanding as of the end of 1988.

Political uncertainty, given Chile's scheduled return to democratic rule next year, and potential government meddling in tha economy are other factors which also thoughts for investor caution.

Pemex note sale raises $237m

By Richard Johns in Mexico City

PETROLEOS Mexicanos (Pemex), the Mexican state oil company, has sold 600bn pesos ($237m) worth of promissory notes to ease the strain of the fiscal demands being made upon it by the Government. Pemex acknowledged the issue of the notes last week, saying that the financing was needed to cover spending.

It is understood that Pemex has not benefited financially from higher oil prices and that all the increment over and above the the price of $10 per barrel conservatively projected in the 1989 budget has gone to the Ministry of Finance.

Pemex stressed that the placement of tha *Pagares* – similar to the commercial paper issued by private sector companies – would not jeopardise its "sovereignty" nor allow creditors to become co-owners of any of its assets.

At the same time there has been a lively response to the first auction by Nafinsa, the state development bank, of 10-year bonds known as *Bondis*, the latest instrument to be introduced this year to a money market long dominated by *Cetes*, or 28-day Treasury bills.

The *Bondis* are said to have attracted particularly interest from mutual funds as well as from the two rival commercial banking groups, Banamex and Bancomer. The issue of a bond of such maturity is seen as reflecting the sudden revival of confidence in Mexico's future.

Hitherto, the longest term instrument available has been the *Ajustabono* which has a three year-term with principal adjusted quarterly to the official consumer price index, and was launched as recently as July. At the first auction the 500bn pesos on offer were 150 per cent over-subscribed.

Introduced at the same time was the *Tesobono* which has a term of six months or less with both principal and interest linked to the free dollar market rate.

● The Mexican stock market authorities are to reintroduce short selling. They also propose the go-ahead for dealings in the shares in Compania Mexicana de Aviacon, the previously majority state-owned airline privatised last month through the injection of $140m of capital by the Grupo Xabre. Share dealings in Aviacon were suspended in the spring of 1988.

Redpath chief to fill top Bank of Nova Scotia job

THE BANK of Nova Scotia, Canada's fourth largest chartered bank, has gone outside the banking industry to fill a key executive position, writes Robert Gibbens.

Mr Lynton Wilson, a director of the bank since 1986, has resigned as chairman of Redpath Industries, the Canadian arm of the Tate & Lyle, the UK sugar group, to become vice-chairman in charge of international banking for BNS on October 1.

Mr Wilson, an economist by training, was Ontario's Minister of Industry from 1978to 1981 and then joined Redpath.

Last week it reported record nine month net profits of C$463.6m (US$392m) or C$2.38 a share, compared with C$368m or $2.02 a year earlier.

Interim profits at Daimler hit by weaker car sales

By Andrew Fisher in Frankfurt

DAIMLER-BENZ, the West German motor, electronics and aerospace group, yesterday announced a slight drop in first-half profits, mainly a result of continuing problems with car sales at home and abroad.

Group net profits slipped to DM830m from DM840m ($424m), with domestic car sales damaged by continuing discussion over diesel models and the environment. Truck sales rose in Germany and the rest of Europe, but suffered from the economic problems of Brazil and Argentina.

Although some analysts had expected Daimler to give the terms of its planned rights issue, Mr Edzard Reuter, chief executive, said these would be issued "shortly."

In Germany, new registrations of Daimler cars fell 13 per cent to 129,500 units, harmed by the impact of planned taxation of price discounts on employees' car purchases. Car production totalled 278,000 units, a drop of 5 per cent, and the group said total 1989 output would be about 540,000 against 560,000 in 1988.

Mr Reuter repeated his forecast that profits for the full year would be near the 1988 level of DM1.7bn, which was 4.5 per cent down on the previous year.

Turnover edged up from DM34.9bn to DM36.7bn in the half, with cars accounting for 45 per cent and trucks for 14 per cent.

Mr Reuter said the group was "by no means unreservedly satisfied" with current earnings, although Daimler, to be expanded through the addition of Messerschmitt-Bölkow-Blohm, still had "unusual profits strength." Further moves would be made to cut group costs.

He said the problem patch should not last too long. Daimler would stress the environmental and energy-saving qualities of diesels, now accounting for 29 per cent of domestic cars registrations against last year's 39 per cent.

Because of the forthcoming tax changes, car sales to employees at discount prices would not reach 1988's level of just over 80,000 units.

Apart from the US, where exports fell by 18 per cent, sales to other foreign markets, especially in Europe and Japan, developed well. Foreign car sales were marginally higher at 152,500 units.

Mr Reuter said the new SL roadster was turning out to be a success. This is the forerunner to the next generation of the executive S-class cars, to be launched in about a year. Present models face strong competition from BMW. Asked about BMW's success, he said: "We have a lot of respect for what has been achieved in Munich [BMW's base]. There is no reason, though, to slide into resignation."

Kugelfischer unveils DM140m rights issue

By Our Financial Staff

FAG KUGELFISCHER, the West German ball bearings manufacturer, plans to raise DM140m ($70.7m) through a rights issue to finance its new investment programme.

The company is to issue 560,000 preferred shares with a par value of DM50, offering them to shareholders of record on a one-for-seven basis. The issue price will be DM250.

On Friday the company's preferred stock closed at DM330 on the Frankfurt Stock Exchange.

The new shares, to be introduced in early October, will be eligible for half of the 1989 dividend payout.

Kugelfischer said rising sales and earnings were clearing the way for a dividend increase, in which the new shares will participate correspondingly.

In 1988 the company paid DM8 on preferred and DM7 on common shares.

Group sales in the first seven months of this year rose 14.7 per cent to DM2.22bn from DM1.93bn. Last year group sales rose 9 per cent to DM3.5bn from DM3.2bn.

The company expects its earnings for the full year to increase at "a comparable" rate to the one recorded in the first half. It announced earlier this year that interim net income jumped 58 per cent in the parent company, to DM24.8m from DM15.7m.

Group income rose in "a satisfactory manner" in spite of start-up losses at joint ventures – Fatec Fahrzeugtechnik and Sammi Precision Industry in South Korea.

Kugelfischer said order backlog was enough to provide full capacity utilisation for 12 months at the parent company and for eight months in the group.

Earlier this year the group announced a six-year investment plan that will require the company to invest about DM2bn in the group through 1994.

Yesterday's announcement of a rights issue had been expected by analysts and is likely to reduce the company's net debt/equity ratio from 0.53:1 at the end of 1988 to about 0.3:1.

Family group regains SGS control

By William Dullforce in Geneva

SOCIETE GENERALE de Surveillance (SGS), the world's leading inspection services group, was returned to the control of founding family shareholders yesterday when Mrs Elisabeth Salina Amorini, a 34-year-old lawyer and granddaughter of one of the founders, was elected to chair a reconstituted and rejuvenated board.

At an extraordinary general meeting, shareholders voted for the appointment of four new directors proposed by the family group.

They were Mr John Craven, chief executive of Morgan Grenfell of London, Mr Guy Demole, senior partner of Pictet, the private Geneva bank, Mrs Katrin Langloh, a 36-year-old descendant of the founding families, and Mr Moritz Suter, managing director of Crossair, the Swiss regional airline.

Their appointment resolves the crisis which erupted last July when Mr Philippe de Weck, the chairman, announced he and three other directors were resigning and that Mr Patrick Rich, the managing director, was leaving after only two-and-a-half years with the company.

Mr Claude Goldberg, a long-serving SGS insider who has the backing of family shareholders, took over as managing director on August 1.

According to Mrs Salina Amorini, SGS's boardroom dispute was prompted by Mr de Weck's failure to fulfil a 1987 agreement which would have allowed the family group to appoint two new directors and restore its majority on the board.

Mr de Weck said the departing directors believed family shareholders, who held less than 15 per cent of the total capital invested, "exaggerated" in demanding both the chairmanship and a majority of the seats on the board. There could be conflict between "votes" and "capital," he warned.

The family group holds more than half the voting rights carried by the 145,000 registered shares. Its share of the 305,000 non-voting participation certificates is not known.

Mrs Salina Amorini stressed that the dispute had not been over the use of SGS's SFr1bn ($588m) cash kitty to finance acquisitions. Family shareholders favoured important acquisitions, provided they could be "inscribed within the logic of coherent and profitable commercial development" but they did not want the company to become a conglomerate.

Earlier this year the board unanimously rejected an ambitious proposal from Mr Rich and Mr de Weck involving, it is understood, a $2bn takeover of a US insurance company.

Geneva bankers also say that Mr Rich failed to seize an opportunity to take over Adia, the world's second largest temporary employment group, which has recently merged with Mr Werner Rey's Inspectorate International, one of SGS's smaller rivals.

However, Mrs Salina Amorini described Adia as "not within the sphere of SGS's future development" and dismissed the idea that the linked Adia-Inspectorate group posed any threat to SGS.

After Mr de Weck became chairman in 1980 SGS increased its turnover from SFr632m to SFr1.88bn last year, while net earnings climbed from SFr31m to SFr125m. The dividend rose from SFr55 a share in 1981 to SFr105 last year.

Mr Goldberg said yesterday that the group would realise "excellent" 1989 results if the trend of the first eight months continued through the rest of the year.

Orkem chief to join Total-CFP

By William Dawkins in Paris

MR Serge Tchuruk, president of Orkem, the recently revived French state-owned chemicals group, will join the board of Total-CFP, the government-controlled oil company, in the next few days.

An Industry Ministry official said yesterday the appointment was the first step in arranging the succession to Mr Francois-Xavier Ortoli, Total-CFP's president, who reaches retirement age next February.

It could also be part of a wider re-organisation of France's state-owned chemicals companies, under consideration for the past year by a Government worried its chemicals concerns lack sufficient size to compete against larger West German and British rivals.

This is the second change at the top of an important French state-controlled company within a week, following Renault's recent decision to reshuffle its senior management to ease the way for Mr Raymond Levy, its president, to retire in three years' time.

Total-CFP's board will nominate Mr Tchuruk, 51, at a meeting tomorrow and will call a general shareholders' meeting

Serge Tchuruk: reputation for tough management

two to three weeks' later to confirm him as the director representing the interests of the state, which holds 40 per cent of the oil group's voting rights.

Mr Tchuruk will continue to be president of Orkem for the time being, although Mr Ortoli specifically asked for his arrival to ensure a smooth changeover for his own presidential job.

The move throws open once again the future of Orkem, formerly known as CDF Chimie, as the chemicals offshoot of Charbonnages de France, the state coal group.

CDF Chimie was losing money heavily when Mr Tchuruk took over in late 1986. However, last year it turned in a FFr3bn profit, earning Mr Tchuruk a formidable reputation as a tough and decisive manager.

The Industry Ministry official said Mr Tchuruk's nomination "prejudges none of the adjustments which will soon be made to publicly owned companies in the chemicals sector."

One of the main possibilities being considered would be to make Orkem part of Total-CFP, to help the oil group diversify. Another would be to link it with Atochem, a subsidiary of Elf Aquitaine, the diversified state-controlled oil group, and Entreprise Minière et Chimique (EMC), another state chemicals business.

However, Mr Roger Fauroux, the Industry Minister, is understood to be awaiting suggestions from the companies' management before taking a decision, for which no firm timetable has been fixed.

Canfor drops pulp project in Alberta

By Robert Gibbens in Montreal

CANFOR, a big Vancouver-based forest products group, is pulling out of a long-term Alberta pulp project to concentrate its financial resources on expansion and environmental programmes in British Columbia.

It has hired Salomon Bros, the New York investment bankers, to sell three saw-mills and a plywood plant in Alberta.

The mills have annual capacity of 440m board ft of lumber. However, Canfor already has 1.3bn board ft capacity in its British Columbia mills.

Canfor has a capital investment programme worth more than C$1bn (US$847m) for modernisation of its British Columbia pulp mills and for a joint newsprint venture with Oji Paper of Japan. The company made clear that the withdrawal from Alberta was due to the weight of its British Columbia programme.

■ Canadian Pacific, the transportation and energy group, is raising its quarterly dividend to 23 cents from 19 cents.

Amic buys Kolbenschmidt unit

KOLBENSCHMIDT, the West German car components manufacturer which is a unit of Metallgesellschaft, has sold its South African subsidiary to Anglo American Industrial Corp (Amic) of South Africa, Reuter reports.

Statements from Amic and Kolbenschmidt did not reveal how much Amic paid for the unit, Karl Schmidt (SA). Kolbenschmidt also said it had signed a long-term co-operation and licensing agreement with Amic for piston production in South Africa and neighbouring states.

NEWS IN BRIEF

■ The Bank of Spain has given the go-ahead for an options market in derivative financial products, to start in Madrid next month, Reuter reports.

The central bank said OM Iberica, a subsidiary of Sweden's Stockholms Optionsmarknad OM Fondkommission, would operate the market, Mercado OMib. Initially it will offer options on the state debt interest rate, progressing to options on stocks traded on the Spanish bourse.

The market, which will be computerised, will be similar to the options markets of Stockholm, Helsinki, Paris and Oslo.

■ Euromobiliare, the Italian investment bank controlled by Midland Bank of the UK, has reported consolidated net profit of L1.6bn ($1.1m), compared with a L13.8bn loss, for the year ended June 30, Reuter reports.

The gross operating profit was L31.1bn against L15.6bn, with the parent company's net profit at L784m against a L14.3bn loss. The savings share dividend for the year will be L125, compared with no dividend a year earlier.

■ Compagnia Assicuratrice Unipol, a Bologna-based insurer, will offer 29 per cent of its ordinary shares on the Milan stock market before the end of the year, Reuter reports.

Unipol's shareholders approved the plan yesterday. The shares will be priced between L15,000 and L25,000, but details of the operation are not finalised.

The company's preferred shares are already listed on the Milan bourse. West Germany's Volksfürsorge Deutsche Lebensversicherung, which owns 29.14 per cent of Unipol, will make available a 19.4 per cent stake for the offering.

The remaining 10 per cent will be provided by the insurer's controlling shareholders, a group of trade unions and agricultural co-operatives.

■ Sundstrand, the US defence and aerospace group, said Sullair, its wholly owned subsidiary, had agreed with the principal shareholder of Maco-Meudon to buy a majority interest in the France-based construction tool supplier, Reuter reports.

Sundstrand, through Sullair, holds 13.5 per cent of Maco-Meudon and plans to increase its ownership to at least 75 per cent. Sullair said the purchase was consistent with its strategy of expanding participation in world markets.

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

Land Rover pins hopes on new Discovery

Kevin Done reports on a weapon in the UK battle against Japanese car domination

The Discovery carries Land Rover's hopes to the prestigious Frankfurt Motor Show

Rover Group, the UK's battered leading car maker, starts to show its head gingerly above the castle wall again today with the long-awaited unveiling of a new vehicle by Land Rover, the first by the specialist four-wheel drive subsidiary in nearly two decades.

The Discovery, which will be launched at the prestigious Frankfurt Motor Show this week, is only the third all-new vehicle to be developed by the division since the Land Rover itself was unveiled in Amsterdam in 1948.

This is in spite of the four wheel drive leisure/utility sector beeing one of the fastest-growing segments of the world vehicle market during the last ten years.

Developed with an investment of about £100m ($155m) – including a new direct injection turbo charged diesel engine – the Discovery is a crucial vehicle for Land Rover.

As virtually the only European standard-bearer, the Discovery takes Land Rover into head-on competition with some of the leading Japanese vehicle makers.

It will make stern demands on Land Rover's ability to meet Japanese cost levels, if the vehicle is to be profitable. The Discovery will be pitched between the utility Land Rover and the luxury, up-market Range Rover.

At a starting price of £15,000 to £16,000 it will compete directly in a sector that Japanese vehicles such as the Mitsubishi Shogun (known as the Pajero in Continental Europe and the Montero in North America), the Isuzu Trooper, the Nissan Patrol and the Toyota Land-Cruiser have had as an almost exclusive preserve, along with the Jeep Cherokee of the US Chrysler Group.

Land Rover remains one of the world's pioneers of four-wheel drive vehicles, however, and is virtually the only European competitor to have succeeded in the sector.

Such was the uniqueness of the Range Rover when it was launched in 1970 that one model was exhibited at the Louvre in Paris as an example of modern sculpture.

Like the other constituent parts of British Leyland, Land Rover was dragged dnwn by the industrial turmoil that engulfed the company during the last 20 years, and it was starved of development funds, as BL plunged ever deeper into loss. Hence the long wait for Discovery.

In the last three years, Rover has been put on a much sounder footing. The group has been reduced dramatically in size with the disposal of 18 businesses, it has been returned to the private sector with its takeover a year ago by British Aerospace, and most recently it has cemented its long-term relationship with Honda of Japan, which is planning to take a 20 per cent equity stake in the Rover Group vehicle businesses.

The decision to give Land Rover the go-ahead to develop the Discovery was one of the early moves made by the new Rover Group management team under Sir Graham Day in 1986, while the company was still in state ownership.

The Discovery has been brought from concept approval to market launch in the creditable time of less than three years, and is one of the first pieces of firm evidence that the Rover Group is ready to go back on the product offensive.

The Discovery is also an indication of how the Land Rover business has been transformed during the 1980s. In 1980, the company was still most importantly a producer of Land Rover utility vehicles, the four-wheel drive workhorse demanded by farmers, foresters, police and armed forces, but most importantly a vehicle in demand in Africa and other parts of the developing world.

In 1980 sales of the Land Rover vehicle totalled 51,198, while the much more up-market Range Rover was still relatively unimportant at 9,708.

In 1980 Africa, the Middle East and the so-called rest of the world markets accounted for 60 per cent of Land Rover sales and a third of Range Rover sales.

At its height Land Rovers were being assembled in more than 30 countries from knock-down kits supplied from the UK. And the Range Rover was far from the luxury vehicle it is today, equally at home in Mayfair or on the farm, selling at up to £29,721 and competing in the luxury car market against the likes of BMW, Mercedes-Benz and Jaguar.

"The Range Rover still had two doors, a manual gearbox and plastic seats in 1980," says Mr Chris Woodwark, Land Rover commercial director since early this year, when the whole Rover Group top management structure was reorganised.

Following the second oil crisis, Land Rover's business in the developing world collapsed, plunging the company into loss in 1983 and 1984.

"We have had to switch from being a company selling Land Rovers in the Third World, to a company selling Range Rovers in Europe and North America. We have had to make a massive product change with the existing vehicle," says Mr Woodwark.

Since 1980, the Range Rover has acquired air conditioning, leather seats, electric windows, electric sun-roof, automatic transmission, a turbo-diesel engine, a new transfer box, fuel injection, more power and central locking along with other specification details that belong to the luxury car market.

The transformation has succeeded. More than 35 per cent of all Range Rovers sold in the UK are of the highest Vogue SE specification selling at almost £30,000.

The vehicle has been launched – in early 1987 – with conspicuous success in the US, the world's most demanding luxury-car market.

Sales in the US have increased by more than 50 per cent this year in contrast to heavy falls suffered by many European luxury and executive cars including Rover's own Sterling. Later this autumn Rover Group plans to launch the Range Rover for the first time in Japan.

The transformation has also worked financially with Land Rover regaining profitability and making a £22.5m profit before interest and taxation in 1987, the last year when financial results were available before the figures were submerged in the accounts of British Aerospace.

Last year, while Land Rover vehicle sales had slumped to 22,515 from 51,198 in 1980, Range Rover sales had climbed to 24,185 from 9,708 – performing wonders in the process for the profitability of the company's model mix.

West Europe accounted for two-thirds of Land Rover sales, while Europe and North America accounted for 87 per cent of Range Rover sales.

The company's survival during the 1980s owes much to the drastic restructuring of Land Rover's manufacturing operations. This included the rationalisation from 14 sites throughout the country into one at Solihull, West Midlands.

In the process, £18m-a-year in operating costs, 1,500 jobs and 1m miles in internal transportation were removed.

Land Rover now hopes the Discovery will provide an important third leg for the expansion of the business.

The company is coy about its ambitions, it has been burned so often in the past, but it appears that it is hoping for annual production of more than 20,000 vehicles a year putting the Discovery on a par with both the Land Rover and the Range Rover.

According to Mr Woodwark, Diecovery productinn will reach around 250-a-week by the end of the year compared with the current record 660-a-week of the Range Rover.

Certainly there is space et Solihull for expansion, and Mr Woodwark says: "We have a production capacity that will equal our sales."

The vehicle will be particularly important in the UK, which Mr Woodwark expects tn account for about 30 per cent of sales, and where the 130-strong dealer network, one of the five most profitable dealer bodies in the UK, is investing £100m from 1987 to 1990 to modernise its facilities.

Discovery goes on sale in November in the UK, and in Italy and the pan-European launch should be completed by mid-1990.

The vehicle is designed, says Land Rover, as a "premium product in the personal transport sector of the four-wheel drive market" for customers whn see "leisure and recreation as an important part of their life-style."

It will be offered initially only in three-door form with either the new 2.5 litre direct injection diesel engine or the existing well-proven 3.5 litre V8 petrol engine, with an option for having seven seats.

Much is riding on the Discovery if the European motor industry is to challenge the Japanese stranglehold on this 4x4 leisure utility sector. Sales in Europe totalled 265,100 last year, of which Japanese products captured a market share of 73 per cent. Sales are forecast to rise quickly to almost 400,000 in 1995 according to Automotive Industry Data, the UK-based automotive analysts.

Japanese makers are already established in Europe with assembly in Spain by both Suzuki (SJ Series and Vitara) and Nissan (Patrol). Japanese-made products accounted for 59.2 per cent of the European market with the balance of the Japanese share coming from local assembly.

Rover is not alone in seeking to carve out a growing share of this market. Chrysler and and Renault are also collaborating on a new vehicle for the sector. Other additions are planned by General Motors and Isuzu at their UK joint venture plant, IBC Vehicles, and by Nissan and Ford in a joint venture at Nissan's Spanish plant. The field is becoming crowded, but at least Land Rover is in there fighting and does not lack for pedigree.

Bond Corp shares fall to new low of 30 cents

By Chris Sherwell in Sydney

A FURTHER bout of selling yesterday took shares in Bond Corporation, the debt-burdened flagship of Mr Alan Bond's besieged business empire, to a fresh low of 30 cents on Australia's stock exchanges, down 10 cents on the day.

The plunge, which at one point pulled the shares as low as 27 cents, followed estimates that the group now has a negative net worth of as much as A$2.29 per share, and renewed controversy over a A$3.5bn (US$2.7bn) plan to sell its brewery interests to the 58 per cent-owned Bell Resources. The deadline for the deal has been postponed and changes to it are mooted.

These developments followed a depressing impact last week on the value of Mr Bond's television interests, resulting from the fire-sale of a rival commercial network and his hitter pnhlic falling-out with the Western Australian state government over an A$1.2bn petrochemical plant project.

Analysts said yesterday the survival of Mr Bond's empire was no longer in his hands – that his destiny was heing determined by his bankers, auditors and the country's regulatory authorities, and by individuals such as Adelaide Steamship's Mr John Spalvins, a key Bell Resources ehareholder.

The revelation that Bond Corporation now has an appraised negative net worth of between A$1.59 and A$2.29 per share (depending on the value placed on Bell Resources shares) came in a leaked internal memorandum of Baring Securities.

The memorandum, written last week, updated a document prepared in May which gave the group a negative net worth of A$1.80 per share. It traces Bond Corporation's trouhles back to a full hid that the National Companies and Securities Commission (NCSC), Australia's stock market watchdog, obliged it to make for Bell Group, parent of Bell Resources, at an expensive A$2.70 per ehare.

The document makes it clear that Mr Bond's situation would improve significantly if he could sell his brewing interests to a third party at book valne of around A$2.6bn or more.

However, over the weekend it emerged that his plan to sell these interests to Bell Resources had hit more problems.

Mr Henry Bosch, NCSC chairman, confirmed that Bell Resources' A$1.2bn "deposit" with Bond Corporation was the most important issue it would investigate in a private hearing announced last week. The NCSC is also looking at certain put and call option deals with Mr Rodney Adler's FAI Insurances involving a Perth property site and a stake in Bond International Gold.

While the NCSC's hearings proceed, Mr Spalvins, whose 20 per cent holding in Bell Resources gives him the means to prevent the brewing deal, is thought to be withholding court action to force the return of the A$1.2bn deposit.

At the same time there is renewed speculation that Mr Bond is seeking other buyers for his brewing interests.

Mr Spalvins is said to be an interested party. So is Mr John Elliott's Elders IXL, despite noises from the antitrust Trade Practices Commission that it would disallow its increased dominance of the beer market. Other names mentioned include SA Brewing and, from New Zealand, Lion Nathan and the Brierley gronp's Magnum Corporation.

In a statement to the stock exchange yesterday, Bond Corporation said discussions over the sale of its brewing assets were at an advanced stage and, if successfully concluded, there would be a detailed announcement later this week. The gronp also hlamed its share price fall on adverse media comment on the group's financial position.

Downturn at Australian mining group

PANCONTINENTAL Mining of Australia has blamed an unrealised foreign exchange loss of A$8.5m for a 24 per cent fall in net profit for the year to June, Reuter reports from Brisbane.

The group yesterday announced profits of A$21.6m (US$16.6m), down from A$28.3m. Sales rose slightly to A$138.8m from A$134.2m.

Unrealised foreign exchange movements were required by the accounting standard to be brought into account on a current basis, even though the underlying debt obligations that gave rise to them were long term, the company said.

The group said that, based on the year's profit and strong cash flow, the directors had declared an increase in the final dividend to 3.5 cents a share from 2.5 cents.

Gold production at Paddington rose to a record 106,000 oz from 100,395 oz. Recent exploration had resulted in discoveries of gold, tantalum and platinum and follow-up work was in progress to define the extent of these resources.

Dai Nippon Printing in share offer

DAI NIPPON Printing, Japan's largest commercial printer, is to make a public placement of 30m shares representing some 4 per cent of its expanded capital, writes Our Financial Staff.

Although the pricing will not be set until after a board meeting on September 25, at the company's Y2,380 price on the Tokyo Stock Exchange yesterday the issue would raise Y71.4bn ($488m). Funds raised are described as being earmarked for capital spending.

Dai Nippon Printing had consolidated net earnings per share of Y47.80 in its year to March and paid a Y10 dividend. In May it made a one-for-20 scrip issue.

Underwriters for the latest offering are Japan's Big Four securities houses.

● Toyo Trust and Banking of Japan plans to apply for stock exchange listings in London and Paris in an effort to enhance public recognition in Europe ahead of the unification of EC markets by 1992.

It hoped the listings would increase business opportunities as well as expand its ability to raise capital.

Barclays de Zoete Wedd will manage the London listing, set for November, and Société Générale the Paris quotation in January.

Inspectorate loses zest for leasing

Alan Cane on the consequences of the proposed merger with Adia

The merger proposed last week between two Swiss companies, Inspectorate International and Adia, will create a group with sales of around SFr5bn ($2.93bn). It will operate primarily in the temporary employment, quality control and security services sectors and the new grouping is likely to have significant consequences for the European information technology industry.

Adia is the world's second-largest employment agency. Inspectorate has a raft of interests ranging from quality inspection and engineering to property, but its largest division is information technology, accounting for SFr1.8bn out of 1988 revennes of SFr2.47bn. Last year the division secured Inspectorate 46th place in the US magazine Datamation's top 100 information technology companies.

However, the merger announcement is an indication of the seriousness with which Inspectorate is refocusing its interests and cutting away activities outside what it now defines as its core businesses.

This means that the information technology division – comprising Meridian, a US compnter leasing company, and Meridian International (MI), a European compnting services company – will be among the first to go.

Inspectorate has already taken preliminary steps. Earlier this year it announced that Wasserstein–Perella, the Wall Street mergers and acquisitions specialist, had been retained to help it evaluate offers for the computer leasing subsidiaries. It is thought a deal will be reached before the end of the year, although it is not yet clear whether a sale, financial restructuring, merger or joint venture is the most likely alternative.

The two companies are most unlikely to be sold as a package. Inspectorate's IT activities are a division in name only. The US Meridian has been run by the same management team for the best part of a decade. It is a compnter leasing company, pure and simple, and seems content to remain so.

Ian Orrock: MI looking for European partner

On the other hand MI, which has its headquarters in Virginia Water in the UK, was put together over the past two years from the rump of a number of European leasing companies but has ambitions to be Europe's leading computing services company. Last year it had sales of £418m ($642.9m) with profits of £16.4m, a much better result than might have been expected considering the costs of restructuring.

Mr Ian Orrock, MI managing director, said the company's ideal partner or parent would be a big multinational with strategic objectives that embraced the whole of Europe and with strong high technology interests. While such a description clearly included a number of US organisations, he would prefer a European company.

Why should Inspectorate be so willing to divest itself of an aggressive, fast-growing snbsidiary in an important business area?

First, because Inspectorate, largely the creation of Mr Werner Rey, a Swiss entrepreneur, has never been fully committed to the leasing husiness. The company acquired Meridian in the US in the mid-1980s. It was Mr Orrock who saw the possibility of huilding a pan-European compnting services husiness on that foundation and persuaded Mr Rey to invest some $250m in acquisition and running costs.

IBL, two UK-based leasing companies, and ACI, a Swiss data centre management organisation, formed the spine of the company. A host of smaller acquisitions completed the skeleton. Nevertheless, the feeling in the leasing commnnity was always that Meridian was being fattened for market rather than for retention.

Second, the leasing husiness has become significantly tougher: "There is intense pressure from IBM which is driving companies out of husiness," according to Mr Neil Ashworth, marketing director for Atlantic Compnters, the most successful and aggressive of UK leasing companies.

The European computing services market was valued at around $32bn in 1988 and is growing at abont 20 per cent a year. Yet no single company has more than a 5 per cent market share, a reflection of its relative immaturity.

However, received wisdom is that in the 1990s it will be dominated by a handful of large, well-capitalised companies offering a broad range of services and able to take on the role of prime contractor in leading information technology projects.

This perception is a hig factor in the wave of mergers and acquisitions now eweeping through the industry.

Computing services conventionally describes a range of activities such as software development, consultancy and facilities management; some will not allow that compoter leasing is a true computing service at all.

Why shonld this be so? Computer leasing is a dangerous, edgy business, favoured by entrepreneurs who take substantial risks to turn a profit. They buy IBM or Digital Equipment (DEC) computers, systems that are the workhorses of the computer world and which have an accepted resale, or "residual," value.

The trick is to find s "head lessor," typically a bank, to finance the deal and collect the leasing payments. The leasing company makes its money out of relocating the eystem to another customer at the end of the lease.

Without added frills, such a business would be marginally profitable and deadly dull. The entrepreneurial flair of successful lessors is shown in their ability to "manage" their portfolios – to persuade their customers frequently to change or add to their systems.

MI has attempted to break out of the traditional leasing mould hy adding divisions dealing with computer maintenance, facilities management, systems consultancy and disaster recovery. However, Mr Orrock agreed this week that leasing was and would remain the chief source of revenue for the forseeable future.

But he was still committed to the concept of creating a pan-European services group, pointing out that the company, through its leasing activities, had a close relationship with more than 350 of Europe's top 1,000 companies, and was therefore in a privileged position to sell on new services.

He argued: "We have a group of elite customers. We have a hnge market opportunity... We have the customers, we have much of the product already in place and in the next year or so we will be finding more muscle to put on the skeleton. We want to provide a one-stop shop and position ourselves as the leading vendor in the marketplace."

Mayne Nickless to sell US armoured car division

By Our Financial Staff

MAYNE NICKLESS, the Australian transport and security eervicee gronp, is selling Loomis Armored, its loss-making US armoured car division, to Brink's, the US security group. A price was not disclosed.

Mayne Nickless said the sale did not affect its Loomis operations in Canada or other Mayne Nickless armoured car businesses in the US.

The deal comes less than three weeks after Mayne Nickless said it was studying a partial or complete sale of Loomis Armored. However, the company revealed yesterday that at least a partial disposal had been in prospect since March.

Mayne Nickless added that the sale of Loomis Armored did not rednce its "commitment to further develop its extensive operations in North America."

In the year to June the unit suffered its first loss in 10 years under Mayne Nickless's ownership. Although the size of the deficit was unspecified, it left the Australian company's total US operations A$2.4m in the red.

Mayne Nickless, which is 46 per cent owned by Amcor, the paper products group, reported worldwide net profits up 37 per cent to A$113.9m (US$87.4m).

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday September 11, 1989. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	99.25	64.2186	32.3289	43.7224
Albania	(Lek)	10.0627	6.5109	3.2777	4.4329
Algeria	(Dinar)	12.5050	8.0912	4.0732	5.5088
Andorra	(Fr Fr)	10.3425	6.6920	3.3688	4.5561
	(Sp Peseta)	191.55	123.9404	62.3941	84.3832
Angola	(Kwanza)	47.786	30.9194	15.5654	21.0511
Antigua	(E Carr $)	4.16	2.6916	1.3550	1.8325
Argentina	(Austral)	1005.25	650.4367	327.4429	442.8414
Aruba	(Florin)	2.757	1.7838	0.8980	1.2145
Australia	(Aus $)	2.0233	1.3091	0.6590	0.8913
Austria	(Schilling)	21.61	13.9825	7.0390	9.5198
Azores	(Port Escudo)	256.68	166.0821	83.6091	113.0748
Bahamas	(Bahama $)	1.5455	1	0.5034	0.6808
Bahrain	(Dinar)	0.5792	0.3747	0.1886	0.2551
Balearic Is	(Sp Peseta)	191.55	123.9404	62.3941	84.3832
Bangladesh	(Taka)	48.00	31.0579	15.6351	21.1453
Barbados	(Barb $)	3.0984	2.0047	1.0092	1.3649
Belgium	(Belg Fr)	64.30c	41.6046	20.9446	28.3259
		64.45g	41.7017	20.9934	28.3920
Belize	(B $)	3.0810	1.9935	1.0035	1.3572
Benin	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Bermuda	(Bermudian $)	1.5455	1	0.5034	0.6808
Bhutan	(Ngultrum)	25.50	16.4995	8.3061	11.2334
Bolivia	(Boliviano)	4.3134	2.7909	1.4050	1.9001
Botswana	(Pula)	3.2075	2.0753	1.0447	1.4129
Brazil	(Cruzado)	4.6088	2.9820	1.5012	2.0303
British Virgin Is	(US $)	1.5455	1	0.5034	0.6808
Brunei	(Brunei $)	3.0568	1.9778	0.9957	1.3466
Bulgaria	(Lev)	1.4344	0.9281	0.4672	0.6318
Burkino Faso	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Burma	(Kyat)	10.7780	6.9737	3.5107	4.7480
Burundi	(Burundi Fr)	259.75	168.0685	84.6091	114.4273
Cameroon	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Canada	(Canadian $)	1.8335	1.1863	0.5972	0.8077
Canary Is	(Sp Peseta)	191.55	123.9404	62.3941	84.3832
Cp. Verde Is	(CV Escudo)	123.4865	79.9006	40.2236	54.3993
Cayman Is	(CI $)	1.2786	0.8273	0.4164	0.5632
Cent.Afr. Rep	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Chad	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Chile	(Chilean Peso)	410.20	[illegible]	[illegible]	[illegible]
China	(Renminbi Yuan)	5.7785	3.7389	1.8822	2.5455
Colombia	(Col Peso)	612.92	396.5504	199.6356	269.9916
Comoros	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Congo (Brazz)	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Costa Rica	(Colon)	121.91	78.8935	39.7166	53.7136
Cuba	(Cuban Peso)	1.1732	0.7591	0.3821	0.5168
Cyprus	(Cyprus £)	0.7920	0.5124	0.2579	0.3488
Czechoslovakia	(Koruna)	24.23c	15.6777	7.8925	10.6740
		15.70t	10.1585	5.1140	6.9162
		15.70t	10.1585	5.1140	6.9162
Denmark	(Danish Kroner)	11.9400	7.7256	3.8892	5.2599
Djibouti Rep	(Djib Fr)	272.76	176.4865	88.8469	120.1585
Dominica	(E Carrib $)	4.16	2.6916	1.3550	1.8325
Dominican Rep	(D Peso)	9.8746	6.3892	3.2164	4.3500
Ecuador	(Sucre)	828.28o	535.9301	269.7980	364.8810
		886.08a	573.3290	288.6254	390.3436
Egypt	(Egyptian £)	3.9850	2.5784	1.2980	1.7555
El Salvador	(Colon)	7.6900	4.9757	2.5048	3.3876
Equat'l Guinea	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Ethiopia	(Ethiopian Birr)	3.1663	2.0487	1.0313	1.3948
Falkland Is	(Falk £)	1.00	0.6470	0.3257	0.4405
Faroe Is	(Danish Kroner)	11.9400	7.7256	3.8892	5.2599
Fiji Is	(Fiji $)	2.3537	1.5229	0.7666	1.0368
Finland	(Markka)	6.9038	4.4670	2.2487	3.0413
France	(Fr)	10.3425	6.6920	3.3688	4.5561
Fr. Cty/Africa	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Fr. Guiana	(Local Fr)	10.3425	6.6920	3.3688	4.5561
Fr. Pacific Is	(CFP Fr)	186.86	120.9056	60.8664	82.3171
Gabon	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Gambia	(Dalasi)	11.9420	7.7269	3.8899	5.2607
Germany East	(Ostmark)	3.0700	1.9864	1	1.3524
Germany West	(D Mark)	3.0700	1.9864	1	1.3524
Ghana	(Cedi)	440.00	284.6975	143.3224	193.8325
Gibraltar	(Gib £)	1.00	0.6470	0.3257	0.4405
Greece	(Drachma)	264.65	171.2390	86.2052	116.5859
Greenland	(Danish Krone)	11.9400	7.7256	3.8892	5.2599
Grenada	(E Carr $)	4.16	2.6916	1.3550	1.8325
Guadaloupe	(Local Fr)	10.3425	6.6920	3.3688	4.5561
Guam	(US $)	1.5455	1	0.5034	0.6808
Guatemala	(Quetzal)	4.3919	2.8417	1.4305	1.9347
Guinea	(Fr)	462.15	299.0294	150.5374	203.5903
Guinea-Bissau	(Peso)	1001.325	647.8771	326.1644	441.1123
Guyana	(Guyanese $)	46.01	29.7703	14.9869	20.2687
Haiti	(Gourde)	7.7025	4.9838	2.5089	3.3931
Honduras	(Lempira)	3.0820	1.9941	1.0039	1.3577
Hong Kong	(HK $)	12.0330	7.7858	3.9195	5.3008
Hungary	(Forint)	95.1978	61.5967	31.0090	41.9373
Iceland	(Icelandic Krona)	95.80	61.9864	31.2052	42.2016
India	(Indian Rupee)	25.50	16.4995	8.3061	11.2334
Indonesia	(Rupiah)	2754.06	1781.9864	897.0879	1213.2422
Iran	(Rial)	116.30	75.2507	37.8827	51.2334
Iraq	(Iraqi Dinar)	0.4820	0.3119	0.1570	0.2123
Irish Rep	(Punt)	1.1500	0.7444	0.3747	0.5068
Israel	(Shekel)	3.1000	2.0058	1.0097	1.3656
Italy	(Lira)	2200.75	1423.9728	716.8566	969.4933
Ivory Coast	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Jamaica	(Jamaican $)	8.3185	5.3824	2.7096	3.6645
Japan	(Yen)	227.00	146.8780	73.9413	100
Jordan	(Jordanian Dinar)	1.0144	0.6563	0.3304	0.4468
Kampuchea	(Riel)	154.55	100	50.3420	68.0837
Kenya	(Kenya Shilling)	33.00	21.3523	10.7491	14.5374
Kiribati	(Australian $)	2.0233	1.3091	0.6590	0.8913
Korea North	(Won)	1.4947	0.9668	0.4867	0.6582
Korea South	(Won)	1029.475	666.1112	335.3338	453.5132
Kuwait	(Kuwaiti Dinar)	0.4620	0.2993	0.1506	0.2037
Laos	(New Kip)	879.62	569.1491	286.5211	387.4977
Lebanon	(Lebanese £)	827.91	535.6907	269.6775	364.7180
Lesotho	(Maloti)	4.3535	2.8168	1.4180	1.9178
Liberia	(Liberian $)	1.5455	1	0.5034	0.6808
Libya	(Libyan Dinar)	0.4703	0.3043	0.1532	0.2107
Liechtenstein	(Swiss Fr)	2.6500	1.7146	0.8631	1.1674
Luxembourg	(Lux Fr)	64.30	41.6046	20.9446	28.3259
Macao	(Pataca)	12.4998	8.0878	4.0715	5.5065
Madeira	(Port Escudo)	256.68	166.0821	83.6091	113.0748
Malagasy Rep	(MG Fr)	2362.00	1528.3079	769.3811	1040.5286
Malawi	(Kwacha)	4.3965	2.8447	1.4320	1.9367
Malaysia	(Ringgit)	4.1660	2.6955	1.3570	1.8352
Maldive Is	(Rufiya)	13.8799	8.9808	4.5211	6.1144
Mali Rep	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Malta	(Maltese £)	0.5590	0.3616	0.1820	0.2462
Martinique	(Local Fr)	10.3425	6.6920	3.3688	4.5561
Mauritania	(Ouguiya)	128.8905	83.3972	41.9838	56.7799
Mauritius	(Maur Rupee)	24.15	15.6260	7.8664	10.6387
Mexico	(Mexican Peso)	3965.00c	2565.5127	1291.5309	1746.6960
		3889.76d	2516.8295	1267.0228	1713.5506
Miquelon	(Local Fr)	10.3425	6.6920	3.3688	4.5561
Monaco	(French Fr)	10.3425	6.6920	3.3688	4.5561
Mongolia	(Tugrik)	5.1691	3.3446	1.6837	2.2771
Montserrat	(E Carib $)	4.16	2.6916	1.3550	1.8325
Morocco	(Dirham)	13.2950	8.6023	4.3306	5.8568
Mozambique	(Metical)	1176.26	761.0870	383.1465	518.1762
Namibia	(S A Rand)	4.3535	2.8168	1.4180	1.9178
Nauru Is	(Australian $)	2.0233	1.3091	0.6590	0.8913
Nepal	(Nepalese Rupee)	36.97	23.9210	12.0423	16.2863
Netherlands	(Guilder)	3.4600	2.2387	1.1270	1.5242
N'nd Antilles	(A/Guilder)	2.7729	1.7941	0.9032	1.2215
New Zealand	(NZ $)	2.6230	1.6971	0.8544	1.1555
Nicaragua	(Cordoba)	32823.00	21237.7871	10691.5309	14459.4713
Niger Rep	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Nigeria	(Naira)	11.1840	7.2364	3.6429	4.9268
Norway	(Nor. Krone)	11.1775	7.2322	3.6408	4.9240
Oman	(Rial Omani)	0.5915	0.3827	0.1926	0.2605
Pakistan	(Pak. Rupee)	33.50	21.6758	10.9120	14.7577
Panama	(Balboa)	1.5455	1	0.5034	0.6808
Papua New Guinea	(Kina)	1.3471	0.8716	0.4387	0.5934
Paraguay	(Guarani)	1946.35	1259.3659	633.9902	857.4229
Peru	(Intl)	5616.95	3634.3901	1829.6254	2474.4273
Philippines	(Peso)	32.60	21.0934	10.6188	14.3612
Pitcairn Is	(£ Sterling)	1.00	0.6470	0.3257	0.4405
	(NZ $)	2.6230	1.6971	0.8543	1.1555
Poland	(Zloty)	2079.80	1345.7133	677.4592	916.2114
Portugal	(Escudo)	256.68	166.0821	83.6091	113.0748
Puerto Rico	(US $)	1.5455	1	0.5034	0.6808
Qatar	(Riyal)	5.5962	3.6209	1.8228	2.4652
Reunion Is. de la	(F Fr)	10.3425	6.6920	3.3688	4.5561
Romania	(Leu)	14.781	9.5632	4.8143	6.5110
Rwanda	(Fr)	130.35	84.3416	42.4592	57.4229
St Christopher	(E Carr $)	4.16	2.6916	1.3550	1.8325
St Helena	(£)	1.00	0.6470	0.3257	0.4405
St Lucia	(E Carr $)	4.16	2.6916	1.3550	1.8325
St Pierre	(French Fr)	10.3425	6.6920	3.3688	4.5561
St Vincent	(E Carr $)	4.16	2.6916	1.3550	1.8325
San Marino	(Italian Lira)	2200.75	1423.9728	716.8566	969.4933
Sao Tome	(Dobra)	[illegible]	[illegible]	[illegible]	[illegible]
Saudi Arabia	(Riyal)	5.7973	3.7510	1.8883	2.5538
Senegal	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Seychelles	(Rupee)	8.8200	5.7068	2.8729	3.8854
Sierra Leone	(Leone)	96.40	62.3746	31.4006	42.4669
Singapore	($)	3.0568	1.9778	0.9957	1.3466
Solomon Is	($)	3.6897	2.3873	1.2018	1.6254
Somali Rep	(Shilling)	631.60	408.6703	205.7328	278.2378
South Africa	(Rand)	4.3535c	2.8168	1.4180	1.9178
		6.1503q	3.9794	2.0033	2.7093
Spain	(Peseta)	191.55	123.9404	62.3941	84.3832
Spanish Ports in N Africa	(Sp Peseta)	191.55	123.9404	62.3941	84.3832
Sri Lanka	(Rupee)	59.60	38.5635	19.4136	26.2555
Sudan Rep	(£)	6.9323	4.4854	2.2580	3.0538
Surinam	(Guilder)	2.7498	1.7792	0.8957	1.2113
Swaziland	(Lilangeni)	4.3535	2.8168	1.4180	1.9178
Sweden	(Krona)	10.3425	6.6920	3.3688	4.5561
Switzerland	(Fr)	2.6500	1.7146	0.8631	1.1674
Syria	(£)	32.3505	20.9320	10.5376	14.2513
Taiwan	($)	39.65	25.6551	12.9153	17.4669
Tanzania	(Shilling)	221.40	143.2546	72.1172	97.5330
Thailand	(Baht)	39.50	25.5590	12.8664	17.4008
Togo Rep	(CFA Fr)	517.13	334.6036	168.4462	227.8105
Tonga Is	(Pa Anga)	2.0233	1.3091	0.6590	0.8913
Trinidad/Tobago	($)	6.5471	4.2362	2.1326	2.8841
Tunisia	(Dinar)	1.49875	0.9697	0.4881	0.6602
Turkey	(Lira)	3455.18	2235.6389	1125.4657	1522.1057
Turks & Caicos	(US $)	1.5455	1	0.5034	0.6808
Tuvalu	(Australian $)	2.0233	1.3091	0.6590	0.8913
Uganda	(New Shilling)	307.70	199.0941	100.2280	135.5506
U A E	(Dirham)	5.5373	3.5828	1.8036	2.4393
United Kingdom	(£)	1.00	0.6470	0.3257	0.4405
United States	(US $)	1.5455	1	0.5034	0.6808
Uruguay	(Peso)	1013.24	655.6065	330.0456	446.3612
USSR	(Rouble)	1.0055	0.6505	0.3275	0.4429
Vanuatu	(Vatu)	183.00	118.4082	59.6091	80.6167
Vatican	(Lira)	2200.75	1423.9728	716.8566	969.4933
Venezuela	(Bolivar)	59.33	38.3888	19.3257	26.1365
Vietnam	(Dong)	6932.25	4485.4416	2258.0618	3053.8546
Virgin Is-British	(US $)	1.5455	1	0.5034	0.6808
Virgin Is-US	(US $)	1.5455	1	0.5034	0.6808
Western Samoa	(Tala)	3.5580	2.3021	1.1589	1.5674
Yemen	(Rial)	15.21	9.8414	4.9543	6.7004
Yemen PDR	(Dinar)	0.5284	0.3418	0.1721	0.2327
Yugoslavia	(Dinar)	46422.00	30036.8812	15121.1726	20450.2202
Zaire Rep	(Zaire)	652.68	422.3099	212.5993	287.5242
Zambia	(Kwacha)	24.40	15.7877	7.9478	10.7488
Zimbabwe	($)	3.4600	2.2387	1.1270	1.5242

Special Drawing Rights September 8 1989 United Kingdom £1.25154 United States $1.23648 Germany West D Mark 2.45219 Japan Yen181.268 European Currency Unit Rates September11 1989 United Kingdom £1.47882 United States $1.04239 Germany West D Mark 2.07717 Japan Yen153.721

Abbreviations: (a) Free rate; (b) Banknote rate; (c) Commercial rate; (d) Controlled rate; (e) Essential imports; (f) Financial rate; (h) Exports; (l) Non commercial rate; (j) Business rate; (k) Buying rate; (l) Luxury goods; (m) Market rate; (o) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Selling rate; (t) Tourist rate; Some data supplied by Bank of America, Economics Department, London Trading Centre. Enquiries: 01 634 4360/5. Monday September 11, 1989.

INTERNATIONAL CAPITAL MARKETS

Slide in junk bond ratings 'more rapid' than in 1988

By Norma Cohen

THE CREDIT quality of junk bonds has deteriorated more rapidly in 1989 than in 1988, reflecting increased competitive pressures on smaller companies and weakness in real estate lending, high technology and retailing, according to a new study by Moody's Investors Service.

In the first eight months of 1989, 104 speculative-grade companies had their credit ratings downgraded as compared with 110 such downgrades in all of 1988. Nor are upgrades occurring in sufficient quantity to offset the decline in junk bond quality. Currently, downgrades of speculative-grade companies are leading upgrades by a ratio of 2.8 to one. During 1988, there were 73 upgrades of junk bond ratings, offsetting about two-thirds of the 110 downgrades, effectively yielding a ratio of 1.5 to one.

Moody's also notes the sharp increase in junk bonds downgraded to the category of Caa or lower – the level where the incidence of default sharply increases. "The bottom rungs of the credit-quality ladder are occupied mostly by companies that either are in danger of or already have serious debt repayment problems – including default," the Moody's study notes. In the first eight months of 1989, there have been 46 downgradings to Caa or lower almost matching the 50 for all of 1988.

Another way of gauging the condition of the junk bond market is to compare the number of demotions from investment- to speculative-grade – the so-called fallen angels – with the number of rising stars – those companies promoted from speculative- to investment-grade. In 1988, the 27 fallen angels were almost completely offset by 24 rising stars while in 1989, there have been 25 fallen angels already and only 11 rising stars.

In explaining the increasing number of junk bond downgradings, Moody's says that market-related reasons were more than twice as prevalent as capital restructurings, particularly in certain industries. Investors are becoming aware that competition may be even more important than cyclicality when assessing the risk of a high-yield issue. Event risk, which often involves a hostile bid for control of a company, was not the primary reason for downgrades.

Moody's notes that some of the perceptions of the increasing riskiness of junk bonds have been translated into higher-yield spreads relative to US Treasury bonds. While the spread averaged 4.2 per cent in 1988, it has been about 5.3 per cent in 1989.

Oversubscribed Enimont share issue is closed

THE ISSUE of 20 per cent of the capital of Enimont, the Italian chemicals group, was oversubscribed on the first day of the offer and has been closed, Reuters reports.

Requests from domestic and foreign investors widely surpassed the 850m shares on offer. The issue, which was scheduled to run until September 15, was officially closed yesterday morning.

Just under half of the issue was reserved for foreign investors. The issue will raise L1,207bn. Enimont is jointly owned by Montedison and the state-owned ENI. It will be listed on the Milan bourse.

HK watchdog abolishes capital market controls

By John Elliott in Hong Kong

HONG KONG'S Securities and Futures Commission, the colony's financial markets watchdog, has abolished all but one of a series of controls imposed on capital market funds after the 1987 crash.

The commission said the move was aimed at bringing Hong Kong broadly into line with international practice. It follows an official review of guidelines which, in the wake of the crash, imposed additional requirements on capital funds.

Money market and bond funds are now treated the same as equity funds with one exception: they have a lower limit of permitted borrowing which is restricted to 10 per cent of a capital market fund's net asset value, whereas equity funds are permitted to borrow up to 25 per cent.

The restrictions on Hong Kong dollar bond market funds which have been abolished include the need to maintain minimum cash levels and a HK$50,000 minimum subscription.

Money market funds are no longer to be subject to liquidity requirements, and certain advertising restrictions have been eased.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on September 11

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
B.F.C.E. 7 92	150	†95⅞	96¼	+0¼	+0¼	8.78
B.F.C.E. 9¼ 95	150	102	102½	+0⅛	+0¼	8.75
Brit. Tel. Fin. 9⅞ 98	250	102⅞	103¼	+0⅜	+0⅛	8.85
Canada 9 96	1000	102¼	102⅝	+0¼	+0⅛	8.44
Canadian Pac 10¼ 93	100	†102¼	102¾	0	0	9.89
[illegible]						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Canada 6¼ 91	80	100⅞	101⅛	0	+0⅛	5.35
Canada 5⅜ 93	80	100⅝	100⅞	0	-0⅛	5.40
Eurofima 5 1995	20	97½	97¾	0	-0¼	5.47
E.I.B. 4⅞ 93	30	97⅞	98⅛	-0⅛	-0½	5.51
Ireland 5⅜ 93	30	98¾	99	0	-0¼	5.50
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Euro-houses face legal quandary

By Stephen Fidler, Euromarkets Correspondent

EUROBOND HOUSES in London were yesterday taking legal advice about whether in future they would have to declare unsold underwriting positions in new international bond issues.

They are scrutinising the Financial Services Act following last week's declaration by Baring Brothers that it had failed to place with investors about 45 per cent of a £200m issue of domestic debentures for Allied-Lyons. The bonds were left with Baring and Cazenove, acting as sub-underwriters.

Baring's declaration — unusual in the bond markets — was made, after legal advice, under section 47 of the UK act, which outlines underwriters' responsibilities not to create a false market in securities.

The sensitivity of the issue has been heightened by the Blue Arrow affair, in which County NatWest failed to disclose its true position in Blue Arrow shares following a rights issue.

The relevant part of the act came into force on April 29, 1988, but this is the first time that an underwriter has made such a declaration, even though it is not unusual for underwriters to be left with unsold positions.

The 9⅞ per cent debentures were launched last week on to a weak sterling bond market amid flurries of speculation about a possible bid for Allied-Lyons. The two factors combined to make investors less than enthusiastic about the issue. The bonds were placed on a yield basis, which did not allow Baring to adjust the price of the issue accordingly.

Because it was a domestic debenture with a UK listing, a London stock exchange announcement was required on the day of launch. Thus the question facing Baring was whether it should declare its position or say nothing. After advice from its legal advisers, Slaughter and May, Baring made the declaration.

Baring officials yesterday declined to disclose the numbers of bonds now left with underwriters, believing they had fulfilled their responsibilities under the act. The decision facing other London-based Eurobond underwriters is whether this advice is relevant to them. Eurobonds do not require statutory announcements, but underwriters have in the past been prone to exaggerate the success of issues. This, lawyers believe, should cease, leaving the question about whether underwriters holding unsold positions could comply with the act simply by saying nothing.

According to Mr Nicholas Wilson, a senior partner at Slaughter and May, the decision over Allied-Lyons — an "open and shut case" — would not necessarily be applicable in other instances.

He expressed surprise that Baring's move produced such a market reaction, given that the relevant section had been in force since April last year. The move comes as Eurobond underwriters are for other reasons attempting to improve new issue practices.

Mr Wilson said he expected underwriters of Eurobonds to make such announcements more frequently in the future, a development which many inside and outside the Eurobond market believe would be no bad thing.

La Générale issue enlivens quiet sector

By Stephen Fidler, Euromarkets Correspondent

AS THE international bond market braced itself for the $1.5bn "global" issue for the World Bank — expected next week, market conditions permitting — another underwriter furthered the campaign to clean up new-issue practices in the Eurobond market.

Into a quiet market, Société Générale launched a $100m issue for its Luxembourg finance subsidiary and became the third underwriter to experiment with US pricing methods in the Eurobond market over the last month.

The four-year issue was offered into the market by underwriters with a coupon of 9⅛ per cent at a price of 100.15 and a spread of 67-68 basis points over the relevant US Treasury bond.

As in last month's $500m issue for New Zealand through Morgan Stanley and the $300m issue for KfW through Deutsche Bank, underwriters agreed to sell the securities into the market only at the offer price during primary syndication. For this, they took an underwriting commission of 35 basis points and no other fees were payable.

Conventionally, Eurobond managers take selling and underwriting and management fees of 1⅞ per cent for four-year issues, but habitually offer them to the market at a discount equivalent to full fees.

Yesterday's issue was widely regarded as having been well managed. Reflecting this, it moved into secondary trading — "breaking the syndicate" — at close to its issue price with a minimum of stabilisation. Six underwriters — all but two from the US — participated in the transaction — Nomura, UBS, Morgan Stanley, Merrill Lynch, Shearson Lehman and Goldman Sachs.

Nevertheless, the applicability of the procedure across the Eurobond market will still be questioned, given that Société Générale had the luxury of bringing its own issue. This would certainly be difficult where competitive bidding existed.

Elsewhere in the market, Bankers Trust brought a A$50m dual currency issue for the Federal Business Development Bank of Canada in which investors, being paid at the borrowers' choice in Australian or US dollars, effectively sell a currency option to the borrower.

This allows the one-year issue to carry a 19 per cent coupon, some 2⅛ per cent above the normal market rate, according to the lead manager.

● A first group of foreign mutual funds, run by Standard Chartered, will be introduced next month to Turks who have been permitted to buy foreign securities.

Bankers said Birlesik Yatirim Bankasi, the private Turkish investment bank, would market certificates for a total of 26 mutual funds managed by Standard Chartered.

"Foreigners are very enthusiastic about marketing mutual fund certificates in Turkey," said Mr Aydin Ulusan, general manager of Birlesik Yatirim Bank.

The funds include foreign exchange, bonds and stocks.

INTERNATIONAL BONDS

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Soc.Generale Fin.Luxembourg◆	100	9⅛	100.15	1993	35bp	Societe Generale
National Westminster Bk(a)‡◆	500	35bp	100	Undated	n/a	Salomon Brothers
AUSTRALIAN DOLLARS						
Fed.B'ness Dev.Bk Canada(b)◆	50	19	101⅞	1990	1/5⅛	Bankers Trust Int.
SWISS FRANCS						
Sakata(c)★★§	85	(½)	100	1994	1⅝	UBS
YEN						
Mitsui and Co.Int.(Eur)(d)◆	20bn	8.05	101½	1993	1⅝/1¼	Yamaichi Int. (Europe)
Toyota Tsusho Fin.Int.(f)◆	3bn	6¾	101⅞	1994	1⅞/1¼	Maruman Secs. (Europe)
SDS Bank Ltd.(e)◆	1½bn	(e)	101.275	1993	1⅜/⅞	Yamaichi Int. (Europe)

★★Private placement. §Convertible. ‡Variable rate notes. ◆Final terms. a) Issue increased from $400m (initial amount $300m). 35bp over 3-month Libor. Fall back rate +80bp years 1-10, +120bp thereafter. b) Dual-currency issue. Borrower option to repay in US$ at 74 cents per A$. c) Indicated yield to put 3.978%. d) Redemption linked to Nikkei stock index. e) First coupon 25bp over 3-month yen Libor, thereafter based on formula linked to Nikkei stock index. f) Reverse dual-currency bond. Yen/A$ linked.

Court backs US banks on asset-backed securities

By Janet Bush in New York

A FEDERAL appeals court has ruled that US commercial banks should be allowed to package loans off their own balance sheets and issue them as securities.

The 43-page ruling dealt directly only with issues of mortgage-backed securities but it seems likely that the decision will be applied to sales of securities backed by other assets such as credit card receivables and other forms of consumer and commercial loans.

The latest legal decision reversed a ruling last December that Security Pacific National Bank, a subsidiary of Security Pacific, had breached federal laws separating commercial and investment banking by underwriting an issue of mortgage-backed securities off its own balance sheet.

The US Federal Reserve has already cleared a number of banks' securities subsidiaries to underwrite asset-backed securities issues but the assets cannot come off their own balance sheets.

Securitisation has become increasingly popular with commercial banks under pressure to build capital.

By taking assets off their balance sheets, they can continue to make loans but maintain the appropriate level of capital.

There is a possibility that the federal appeals court ruling will be reversed in the US Supreme Court.

The Securities Industry Association, which has fought numerous legal battles to prevent commercial banks from underwriting securities, said that it would consider whether to appeal at a board meeting on September 19.

● Continental Bank has offered $380m of floating rate notes backed by leveraged buy-out loans from 10 banks, in the first issue of this kind, Reuters reports.

The assets backing the securities are large US multi-bank loans. The identity of the loans involved was not disclosed. The securities are to be placed privately in the US and will be offered in bearer form in the Euromarkets.

Liffe sets launch date for three-month Ecu contract

By Katharine Campbell

THE LONDON Financial Futures Exchange is to proceed with plans for a short-term interest rate contract on the Ecu, to be launched on October 26.

The exchange first investigated the possibility of such a product three years ago, but until very recently ruled out the Ecu cash market as insufficiently liquid to warrant its own futures product.

"What has really convinced us to go ahead now is the rate of growth of the Ecu market — in terms of more counterparties participating and a steadily growing variety of money market instruments," Mr Michael Jenkins, chief executive of Liffe, said yesterday. Around 60 per cent of European institutions surveyed by Liffe earlier in the year said they would actively trade an Ecu future.

Another catalyst for the move has been the avowed intention of the Matif to launch an Ecu contract. The French exchange is contesting Liffe's position as the leading European derivatives exchange. Liffe does not underestimate the difficulties of creating a liquid futures contract on a nascent underlying market. One attempt to generate interest is a system of designated market-makers, each committed to manning the pit for six months, making a 3 basis point bid offer spread in the first contract month and producing between them a minimum turnover of 25 contracts per day.

The Belgian banks Generale Bank and Kredietbank and the Italian Istituto Bancario an Paolo di Torino have committed themselves to make markets, the latter two banks having only recently joined the exchange.

"We would have liked a British member, too, but we hope we may find one by October," said Liffe chairman Mr David Burton, adding that his own firm, Warburg, was not participating because its Ecu trader had left two months ago.

The three-month Ecu contract will be the fourth short-term interest rate contract on Liffe. Mr David Burton said he expected volumes to be lower than on the recently introduced Euromark future, which averages around 4,000 contracts a day.

The Bank of England has for some time been encouraging Liffe to proceed with an Ecu future, largely in the context of the Bank's Ecu treasury bill programme, which amounts to outstandings of Ecu 2.4bn.

The Italian central bank has issued a range of Ecu paper with an average maturity of just over a year, of which Ecu 5.3bn is outstanding, although the secondary market is not active.

Treasuries post modest gains

By Janet Bush in New York and Katharine Campbell in London

GOVERNMENT BONDS

US TREASURY bonds posted modest gains at midsession yesterday, extending the steady advance of last week as the dollar stayed firm. At midsession, the benchmark long bond was quoted ⅛ point higher to yield 8.06 per cent.

The dollar hit highs of Y148 and DM2 before dipping back after co-ordinated central bank intervention. The US currency is likely to help set the tone in the Treasury market early this week as traders wait for the batch of economic data due on Thursday and Friday.

August retail sales are due on Thursday and are expected to rise strongly because of healthy car sales. On Friday, the July trade deficit is released along with the August producer prices index, industrial production and capacity utilisation.

■AFTER A weak opening, dealers marked up prices in the UK gilts market on the back of modestly encouraging figures confirming a slowdown in the economy.

Retail sales increased by only a provisional 0.4 per cent in August and producers' input prices fell 0.3 per cent, while output prices rose 0.3 per cent over the month.

The December long gilt futures contract closed 7/32 stronger at 94.24.

■THE GERMAN bond market opened weaker, in tune with most other European markets, depressed by the dollar's advance over the weekend.

The bund future on Liffe fell particularly sharply during the afternoon, closing at 93.87 after 94.18 on Friday.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	106-03	-2/32	11.08	10.99	10.73
		9.750	1/98	96-26	+2/32	10.32	10.28	10.00
		8.000	10/08	95-16	+2/32	8.40	9.32	8.16
US TREASURY *		9.125	5/99	106-09	+10/32	8.17	8.22	7.96
		8.875	2/19	108-08	+3/32	8.13	8.18	7.95
JAPAN	No 111	4.600	6/98	95.5212	-0.171	5.35	5.15	5.11
	No 2	5.700	3/07	104.9701	+0.192	5.16	5.06	5.01
GERMANY		7.000	2/99	100.7000	-0.150	6.89	6.84	6.62
FRANCE	BTAN	8.000	1/94	97.4278	+0.019	8.71	8.67	8.47
	OAT	8.125	6/99	97.8400	+0.010	8.45	8.39	8.25
CANADA *		10.250	12/98	104.2750	+0.075	9.54	9.52	9.22
NETHERLANDS		7.000	3/99	98.6100	-0.310	7.20	7.19	6.94
AUSTRALIA		12.000	7/99	94.2296	-0.104	13.05	12.93	12.85

London closing, *denotes New York morning session
Yields: Local market standard
Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS — Monday September 11 1989 — Fri Sep 8 — Thu Sep 7 — Wed Sep 6 — Year ago (approx.)

Figures in parentheses show number of stocks per section

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	75	6	24
Corporations, Dominion and Foreign Bonds	13	5	25
Industrials	264	491	849
Financial and Properties	115	216	338
Oils	22	31	38
Plantations	3	1	7
Mines	51	28	95
Others	102	52	96
Totals	645	830	1,472

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

FIXED INTEREST

PRICE INDICES — AVERAGE GROSS REDEMPTION YIELDS

[illegible]

TRADITIONAL OPTIONS

● First Dealings Sep 11
● Last Dealings Sep 22
● Last Declarations Dec 7
● For settlement Dec 18

For rate indications see end of London Share Service

Calls in Butte, Tamaris, Amstard, Scantronic, Elswick, Ml. Labe, Atlantic Res, Premier, Linread, Saatchi & Saatchi, Norfolk Caps, Boots. Put McCarthy & Stone. Pl C Tusker.

LONDON TRADED OPTIONS

[illegible]

UK COMPANY NEWS

Oxford Instruments buys Link Scientific for £57m

By Andrew Hill

OXFORD INSTRUMENTS Group, the high technology company, has made its largest acquisition to date, buying Link Scientific Group from Carlton Communications, the television services business, for up to £57.5m.

Link claims 25 per cent of the £100m worldwide market for X-ray analysis equipment and was part of UEI, the digital processing and engineering company which Carlton bought in May.

The combination with existing analytical equipment interests should push Oxford ahead of the joint market leader, Kevex of the US.

Mr Peter Williams, Oxford's chief executive, said the group had always been interested in Link. The subsidiary was the principal strategic attraction when Oxford and UEI opened unsuccessful talks about a merger in 1987, and Oxford approached Carlton about buying the division immediately the TV group announced its agreed bid for UEI.

"I have known Michael Green in the past and banged on his door pretty hard," said Mr Williams yesterday, adding that Oxford's "pre-emptive strike" had won Link in the face of competition from rival technology groups.

Oxford will pay an initial £47.5m cash to acquire Link free of debt. A further payment of up to £10m in shares depends on the amount by which Link's operating profits in the year to September 30 1990 exceed £4.75m. In the year to January 31, it made operating profits of £4.07m on sales of £23.4m.

The group said the purchase would not dilute earnings per share in the first year, but might have a slight dilutive effect in the following 12 months depending on the size of the deferred payment.

Four months ago Oxford sold a controlling interest in its medical magnets division to Siemens, the West German electronics group.

Oxford said yesterday that the establishmeot of the joint venture had initially caused some of the division's customers to postpone orders and warned that this would have an adverse impact on first half profits.

However, the company said this would probably be more than offset by a £5.5m profit on the sale of the magnet division's assets. Oxford's shares yesterday slipped 9p to 271p.

Link manufactures systems for analysing X-rays emitted from materials. For example, the systems can be used in electron microscopes to search for minute imperfections in alloys used by the aerospace industry. Link also owns US subsidiaries which supply high purity germanium and nuclear instrumentation, and design and manufacture X-ray tubes and power supplies.

"Oxford's analytical equipment division is centred on industrial quality control; Link is at the higher technology end of the business," said Mr Williams yesterday. He said the engineering disciplines of the two subsidiaries would be kept separate, but Link would benefit from Oxford's marketing strength.

VPI offshoot grand jury probe

By James Buchan in New York

NEW YORK State criminal investigators are looking into The Carter Organisation, the Wall Street proxy solicitation firm owned by VPI Group of the UK, after allegations that the firm may have padded its bills to clients.

The investigation, which is being conducted before a State Grand Jury, is also looking at the tax affairs of Mr Don Carter, the company's founder and chairman who sold the business to Valin Pollen International of the UK for $76m in 1987.

Mr Reg Valin, chairman of the UK consultancy and public relations group, yesterday confirmed that VPI, Carter and Mr Carter had all been subpoenaed by the grand jury. "On the basis of legal advice, we are confident that no further action will be taken," Mr Valin said.

Carter referred all enquiries to Mr Valin in London and the New York State Attorney General's office did not wish to comment.

The investigation, which was apparently set off by a former employee of Carter, is looking at allegations that the firm billed its clients for millions of dollars of expenses which were never incurred. Mr Valin said that the grand jury was also looking at personal tax matters from the time before the sale of the business when Don Carter and The Carter Organisation were one for taxation purposes.

Mr Carter, 41, a flamboyant and popular figure in New York, founded the business with just $3,000 in cash after a stint as a research analyst for Mr Carl Icahn, the well-known takeover specialist. The firm, which specialises in the laborious business of soliciting proxy votes for stockholders' meetings, took off in the early 1980s when a new generation of corporate raiders, such as Mr T. Boone Pickens and Sir James Goldsmith, started waging battles for shareholder votes to gain control of big corporations.

Mr Carter is best known for a computer database he diligently pieced together of influential holdings in big corporations. But apparently his billing mechanism was not computerised. "There was a strong manual element," Mr Valin said. "It wasn't very sophisticated but it has been very carefully checked by the lawyers and it stands up. In fact, in some cases, there was a substantial under-recovery of costs from clients."

VPI paid $76m for the business in the summer of 1987 while providing Mr Carter with a share of future profits for three years under an "earn out" agreement. But the takeover business has declined sharply since the sale and Mr Valin said yesterday that profits were unlikely to cross the earn-out threshold this year or next.

Hostilities begin at defence contractor

Clay Harris and Andrew Bolger on Meggitt's surprise attack on USH

UNITED Scientific Holdings did not need one of its night sights to detect that a hostile bid might be on the way.

Buffeted by two unprofitable contracts at its UK-based Avimo subsidiary, the defence equipment manufacturer saw pre-tax profits slide to £10m in 1987-88. But things turned out even worse than expected, and USH fell £5.5m into the red in the six months to March 31 and passed its interim dividend.

This was the crowning blow to a dreadful year for USH. It tried and failed to buy Varo, a Texas-based manufacturer of night-vision devices, then sold at a loss Fernau Avionics, a UK maker of ground navigation systems and radio surveillance equipment. Its chief executive, Mr David Fraser, resigned last September as the Avimo losses began to emerge, and Sir Frank Cooper, former permanent secretary at the Ministry of Defence, retired as chairman in March.

So USH had been scanning the horizon for hostile fire for some time: looking in the direction of Vickers and GKN, for example, competitors to its Alvis armoured vehicla subsidiary, the manufacturer of the Scorpion light tank and the Stormer multi-purpose light armoured vehicle. Or perhaps from Pilkington, a rival in electro-optical devices.

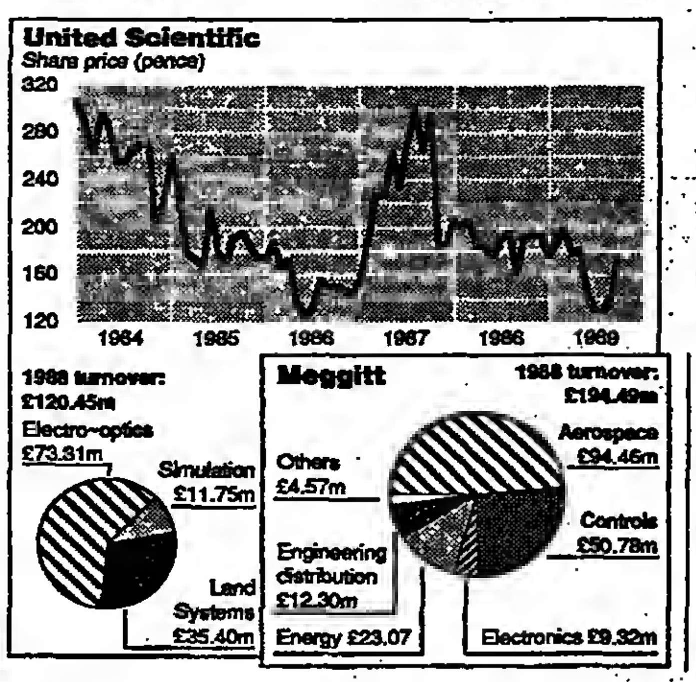
When the bid came however, it arrived from an unexpected direction. Meggitt, although also a defence contractor, has no experience in USH's own products. USH seemed almost palpably relieved at the identity of its foe.

"Neither in terms of value or of industrial fit do we consider it desirable," said Mr Nick Prest, USH's deputy chief executive. Meggitt, he said, was merely a module and sub-assembly manufacturer, while USH supplied sophisticated finished systems to end users.

The dismissive initial reaction matched the aggressive tone of Meggitt's attack. The bidder laid the blame for USH's "dismal" profits record of the past five years directly at the door of the target's "management merry-go-round." In that period it has had three chairmen and three chief executives, the first and most notable of which was Sir Peter Levene, since 1985 head of the MoD's Procurement Executive.

Analysts were loth to date the beginning of USH's decline from Sir Peter's departure; indeed one corporate insider said "his sense of timing was tantamount to genius."

In its defence, USH will point to the value of its publicly quoted subsidiary, Avimo Singapore, started as a greenfield operation in 1974. USH's 65 per cent stake is now worth £43m.



It will also stress that it has rebuilt Alvis's order book from the lean years of the early 1980s to a present level of about £110m. Among the major contracts at present are the first 140 Stormers for the British army – worth £300,000 each – and 85 Scorpions for Venezuela.

Meggitt, on the other hand, will stress its own management record. In spite of spending more than £200m on more than 20 takeovers over the past five years, it resists the tag of acquisitive conglomerate. Mr Ken Coates, managing director, said yesterday: "Wa are engineers first and foremost and try to follow our expertise."

Formerly a small loss-making machine tools engineer in Wimborne, Dorset, its rapid expansion started in 1984 when it was the subject of a 3i-supported management buy-in by Mr Coates and Mr Nigel McCorkell, finance director.

Mr Coates and Mr McCorkell had already helped to turn around Flight Refuelling, an aerospace supplier also based in in Wimborne. They made it clear from the outset that they were primarily interested in using Meggitt as a springboard for high-technology acquisitions in aerospace and defence. The balance sheet was quickly strengthened with the help of two rights issues, which raised £2.7m in nine months.

Meggitt's first move was into cutting tools, through the £2.6m acquisition of Isnley (London) in 1984. In 1985 Negretti, a supplier of aircraft instrumentation, quadrupled Meggitt's turnover when it was acquired for £16m in shares. The £3.5m acquisition in 1986 of Holsworthy, which makes electronics components and micro-circuits, boosted Meggitt's sales by 75 per cent.

Meggitt's last contested bid was in 1986, when it won control of Bestobell, the electronic and mechanical components manufacturer, for £85m. It had a powerful advantage in that the bid was backed by BTR, the industrial conglomerate, which converted its 29 per cent stake in Bestobell into an 18 per cent holding in the enlarged Meggitt.

Alan Harper

Ken Coates: we are engineers first and foremost and try to follow our expertise . . . we are not break-up specialists

Mr Norman Ireland, former BTR finance director, is a non-executive director on both boards, but Meggitt said yesterday that he was playing a les prominent role in this bid that in the current battle by Bowater Industries (where Mr Ireland is also on the board) for Norton Opax.

Meggitt moved quickly to dispose of most of Bestobell's overseas outposts. However, its US involvement was stepped up last year with two purchases worth $40m – of Plastic Fabricating, a Kansas-based components maker, and New York-based Ragen data systems, which makes engine and air data systems.

Its most recent move came last September, when it made an agreed £33m bid for Microsystems Group, the USM-quoted maker of electronic products such as ticket machines, taxi meters and telephone-logging systems. Meggitt cites this as an example of how quickly it sorts out problems. Raitel, a money-losing subsidiary making security telephones for sheltered homes, was sold within weeks.

At USH, however, Mr Coates disclaims any such intention: "We are not break-up specialists." He could not think of any part of USH which would not fit into an enlarged Meggitt.

But if he should succeed and then change his mind, Mr Coates will be spoilt for choice. "Meggitt could well be offered a very decent price for Alvis by Vickers or GKN," said Mr Simon Street of Barclays de Zoete Wedd. Or Pilkington for the electro-optics side.

Of course, one of these usual suspects – or another – may decide to do the break-up itself, or USH may unveil a defensiva link on the electro-optical side with a European partner. The only certainty is that Meggitt's opening shot worth between 150p and 170p will not carry the day. But the bidding is open.

Lasmo natural gas find in Pakistan

By Steven Butler

THE LONDON & Scottish Marine Oil company (Lasmo), yesterday said it had found natural gas at Kadwanwari in the Tajjal concession in Pakistan's Sind Province in its first drilling of a concession granted in 1987.

A well flowed at rates in excess of 28m cubic feet a day during tests.

Reuter news agency yesterday quoted Mr Jahangir Badar, the Pakistani oil minister, saying that the gas was of high quality and free of sulphur. He added that commercial production could begin about three years.

Lasmo said that further testing would be required to assess the commercial significance of the find.

UK COMPANY NEWS

Panel condemns Samuel Montagu over Norton bid

THE TAKEOVER PANEL has condemned the conduct of Samuel Montagu, the merchant bank advising Norton Opax in its three-way takeover battle, as "unacceptable", writes Andrew Hill.

Montagu failed to make Norton's latest letter to shareholders available to Bowater Industries, the packaging and industrial products group bidding for Norton, until yesterday morning, although it was posted on Saturday.

Bowater is offering £382m for Norton, which is in turn bidding for De La Rue, the banknote printer. Bowater's bid for the specialist print and packaging group will lapse on Friday if Norton shareholders vote against the De La Rue offer at a special meeting. Bowater owns 29.9 per cent of the votes in Norton which it will cast against the deal.

Montagu's conduct, said the Panel, was unacceptable in the context of the tight timetable of the bid. Montagu said the error was due to "an oversight".

This is the second time the Panel has intervened in the complex and bitter takeover struggle. Last week, it ruled that Bankers Trust International should step down as one of two advisers to Bowater because of a potential conflict of interest.

In its reply to the Norton document – issued to the Stock Exchange just before 6pm last night – Bowater repeated its allegations that the offer for De La Rue was "financially very risky, illogical and not in shareholders' best interests."

Bowater questioned Norton's illustration of growth in profits which indicated that Norton's earnings per share would not be diluted by the acquisition of De La Rue.

The packaging group also implied yesterday that Norton's promise to reduce the company's borrowings limit from 11 times adjusted capital and reserves to five times and, in due course, to three times, was still too vague. "How long should shareholders be exposed to the risks of excessive gearing?" asked Bowater.

Bowater's offer for Norton is worth at least 225p a share, compared with yesterday's closing price of 217p, up 1p.

Norton's increased and final offer for De La Rue is worth 410p a share at the nominal value agreed with the Panel last week. That compares with De La Rue's share price of 382p, down 2p.

Separately, Norton announced that it had bought a further tranche of De La Rue shares, taking the holding of Norton and associates to 2.01 per cent.

Interest rates expected to limit growth next year

Rugby advances 28%

By Andrew Taylor, Construction Correspondent

AFTER THE recent sharp growth, UK construction profits may increase much more slowly next year, warned Mr Andrew Teare, managing director of Rugby Group, the UK cement and building materials concern.

Yesterday he suggested that high interest rates could limit investment in private commercial and industrial developments as well as in housebuilding.

Rugby yesterday announced a 28 per cent increase in pretax profits during the first six months of 1989. The rise from £31.51m to £40.31m and largely expected was helped by increases in cement and reinforced steel sales to the UK construction industry.

Turnover rose by 36 per cent to £324.91m (£238.3m). This was despite a big fall in British housebuilding which limited growth in UK joinery profits to 6.8 per cent.

Mr Teare said that results next year would depend npon how quickly the UK repair, maintenance and improvement market recovered. This would depend on tba timing and extent of a fall in interest rates.

He remained concerned at the impact high interest rates would have on commercial and industrial development. "There is no sign yet of orders declining. It would be wrong, however, not to consider the effect interest rates of 14 per cent will have on financing arrangements for private investment in offices and factories," he said.

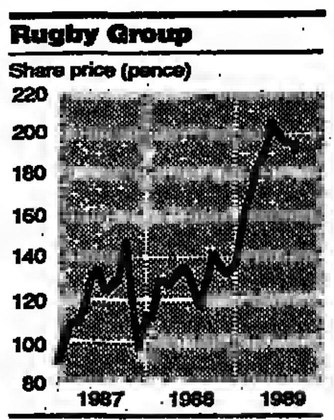
"Rugby, with gearing likely to be no more than 5 to 10 per cent at the end of this year – despite capital spending of more than £80m during the past two years – is well placed to ride out what may be a flatter year for profits," Mr Teare added.

The group would benefit from long-running projects like the Canary Wharf office development in London and the Channel Tunnel, where Rugby was supplying steel reinforcement for the tunnel linings.

Earnings per share rose from 6.96p to 9.02p in the first half. The interim dividend increased from 2.3p to 2.85p.

Rugby Group, which has been slowly expanding its Continental building material operations, has acquired for Fl 30m (£8.69m) Langenberg Beher, which manufactures steel construction products for the Dutch, Belgian and West German markets.

The British group already owns Vertal a French glass manufacturer and De Vries a Dutch joinery bnsiness. Rnghy's interim results showed continental glass profits rose by 43 per cent from £310,000 to £444,000. Continental joinery profits rose by 43 per cent to £723,000.



● COMMENT

Rugby is one of the few building material companies which can expect earnings per share to grow by more than 20 per cent this year. UK cement volumes, assisted by increased imports, are running 9 per cent higher than at the same stage last year – almost double the volume increase achieved by Blue Circle, the UK's biggest cement manufacturer. The increase in profits from Rugby's UK joinery business is a creditable performance given the state of the UK housing market but joinery profits will be under pressure in the second half. Australian cement and lime sales should be good in the second half although cement sales next year may be flat. The concern, is not this year's profits which should be about £90m. Rugby, next year, however, should be capable of profits of about £100m which would still provide earnings growth of about 11 per cent. The company deserves its rating of about 9¼ times prospective earnings hut this is unlikely to improve while sentiment is affected by warnings about next year's growth.

Delta turns in 26% rise to £43m

By Richard Tomkins, Midlands Correspondent

DELTA, the electrical equipment, engineering and industrial services group that merged its cables business with Hawker Siddeley's to form Delta Crompton Cables in January, turned in a 26 per cent increase in profits for the first half of 1989.

The pre-tax figure rose from £34.11m to £43.07m on turnover up from £318.07m to £434.55m. Earnings were ahead by 15 per cent at 17.4p (15.1p) and the interim dividend is raised to 3.9p (3.4p).

The merged cables business, making its first contribution, is 64 per cent owned by Delta and 36 per cent by Hawker Siddeley.

However, Mr Robert Easton, Delta's chief executive, said only a portion of the group's profit increase had arisen from the merger.

Greater benefits would come after a period of reorganisation and rationalisation stretching over the next 18 months or so.

Four of the merged company's five sites were closing and production would be switched among the five remaining sites to optimise efficiency.

"It's a military exercise of enormous proportions," Mr Easton said.

The cables operation turned in pre-tax profits of £14.13m (£9.51m), while the circuit protection division, split off from cables for the first time, made a particularly strong advance to £8.45m (£6.71m).

The engineering division, which saw some weakness in demand for plumbing fittings, made a relatively small advance from £9.97m to £10.77m, but industrial services, helped by two acquisitions in Australia, surged from £7.83m to £11.74m.

Mr Geoffrey Wilson, chairman, said trading conditions in the group's main electrical market remained firm, with the impact of higher interest rates limited mainly to the engineering division.

Since the effects were being cushioned by further efficiency measures, he looked forward to a good result for the year.

● COMMENT

There would have had to have been something exciting in Delta's results for the company's shares to buck the poor market: but there was not, and they shed 7p to 352p. True, the £11m increase in pre-interest profit looked healthy enough, but analysts calculated that £3.5m of it came from the new cables business and another £3.5m from acquisitions, leaving the remaining £4m worth of organic growth unexceptional. Disconcertingly, perhaps, the larger part of that organic growth also seems to stem from South Africa and Australia rather than Delta's UK heartland or Continental Europe. The market, though, is happy to mark time. With £90m in store for the full year, the shares are still at a discount to the average on a prospective p/e of under 10, and the price is underpinned by the as yet unquantified, but apparently substantial, benefits to accrue from the cables merger.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- ASD, Bodycote Intl, CI, Edmond, Hibernian, Interlink Express, Ipeco, Kerry, Kingfisher, Laing Properties, MTL Instruments, Mayborn, Mosted, Norfolk Capital, Ocean Transport & Trading, Readymix, Scottish Heritable, Sumit, TT, UK Paper, United Plantations Africa.

Finals- Armstrong Equipment, Highland Electronics, Macro 4, Precious Metals Trust, SelecTV.

FUTURE DATES

Interims-	
Antofagasta	Sep. 21
Aspen Communications	Sep. 14
Beaufort	Sep. 19
Bentalls	Sep. 20
Bourne End Properties	Sep. 18
City Centre Restaurants	Sep. 14
Connell	Sep. 20
Dinkie Heel	Sep. 15
Fisons	Sep. 13
Guildehouse	Sep. 22
Higgs & Hill	Oct. 4
Jacks (William)	Sep. 28
Jones & Shipman	Sep. 20
LIT	Sep. 14
Laporte	Sep. 21
Malaya Group	Sep. 14
Malaysia Mining	Sep. 18
Mowlem (John)	Sep. 18
Oliver	Sep. 22
Plaxton	Sep. 25
Proudfoot	Sep. 28
Scottish TV	Oct. 6
Taveners	Sep. 20
Trade Indemnity	Sep. 13
Travis Perkins	Sep. 14
UTC	Sep. 14
Finals-	
Ash & Lacy	Sep. 27
Logica	Sep. 21
Muckiow (A&J)	Sep. 18

Wilson Connolly bucks trend with rise to £25.8m

DESPITE A sharp fall in UK housebuilding during the first six months of the year, pre-tax profits of Wilson Connolly, the housebuilder and property developer, rose 10 per cent from £23.38m to £25.8m, writes Andrew Taylor.

The company's housebuilding business is in East Anglia and the east Midlands which according to Halifax building society have this year seen some of the highest falls in house sales.

Mr Ian Black, commercial director, said the company sold 770 homes in the first half compared with 1,400 homes in the same period of 1988.

Housebuilding profits fell by over a quarter from £18.85m to £13.84m. Mr Black said the company had budgeted to sell about 950 homes during the first six months. It now expected to sell 1,700 homes this yeer compared with 2,100 homes in 1988.

Profits from commercial property sales, however, increased from £4.27m to £11.11m. Turnover from property sales rose from £9.35m to £36.58m.

Mr Lynn Wilson, chairman said: "These can be regarded as creditable results in what has been a most difficult time for the new bomes industry as a result of the Chancellors's policy of bringing rising inflation under control by means of the interest rate mechanism."

Earnings per share rose from 8.4p to 9.3p. Group turnover expanded 5 per cent to £97.88m (£93.11m). The interim dividend is increased to 1.15p (1p).

● COMMENT

Wilson Connolly is e must for any long term investor in housebuilders. It has one of the longest landbanks of any builder, most of it acquired years ago at cheap prices, and is able to command excellent margins on sales even in a downturn. Housebuilding profits in the first half, however, have suffered by comparison with the first six months of last year, when the group was really steaming ahead. A cut in sales volume of almost a half is difficult contend with, no matter how good your margins. Comparisons with the second half of last year will be less harsh. Housing profits should again be down but nowhere near as much as in the first half. Fortunately Wilcon can look ahead to a steady stream of commercial property sales to compensate for the decline in housing profits. With good timing on sales the group should still make abont pre-tax profits of £57m this year compared with almost £53m last year. A prospective p/e of more than 7.5 puts it right at the top of the housebuilding rankings. This may be deserved but the price is unlikely to see much growth with sentiment going against housebuilders

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
British Vita ....int	4.2	Nov 6	2.8	-	6.5
Delta ....int	3.9	Dec 1	3.4	-	11.2
Graig Shipping	3.5♠	Oct 9	-	-	-
Haynes Pub ....fin	11	Oct 31	10	19	17
Kleinwort Ben In ....fin	27.8	-	20.57	57.3	38
Meggitt ....int	1.1	Dec 1	0.9	-	2.75
Rugby Group ....int	2.85	Nov 24	2.3	-	5.2
Rutland Trust ....int	0.27†	Nov 20	0.21	-	0.63
Sanderson Murray ...fin	5.5	-	5.5	5.5	5.5
Sherwood Comp § ...int	0.75	-	nil	-	nil
Spandex § ....int	1.5	Jan 12	1.5	-	4.25
Suter ....int	2.8	-	2	-	7
Walker (Thomas) ....fin	1.22	-	1.3	1.48	1.475
Waterman P'ship ....fin	4	Oct 27	1.5‡	8	1.5
Wilson Connolly ....int	1.15	Oct 23	1	-	3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ♦Third market. ‡For period from flotation to end-year 1988. ♠Special anniversary dividend on ordinary and 'A' non-voting ordinary shares.

UK COMPANY NEWS

Strong profits in core industrial divisions help offset property fall

Corporate activities boost Suter

By Ray Bashford

SUTER, the industrial holding company headed by Mr David Abell, lifted pre-tax profits 11 per cent in the six months to July 1 aided by a sharp increase in returns from corporate activities.

Pre-tax profits exceeded City forecasts in rising from £19.9m to £22.1m while earnings per share reached 12.2p (11.1p). The result was accompanied by 2.8p (2p) interim dividend and a forecast that the total would rise by at least 20 per cent.

Suter's core Industrial operations in refrigeration distribution, speciality chemical manufacture and valve production each made strong contributions to the group result which helped to offset a slide in the property division.

The refrigeration business was the principal influence behind a 23 per cent rise in the distribution division's advance in pre-tax profits to £2.7m.

Mr Abell said that the higher refrigeration standards being demanded by retailers, in the wake of the series of food contamination scares, strengthened the performance. Chemical operations formed a solid foundation for a 38 per cent increase to £9.9m in pre-tax profits by the industrial group.

Mitchell Cotts Chemicals, a remnant of the takeover of Mitchell Cotts in July 1987, performed ahead of forecast while Pentagon Chemicals acquired early last year made a small contribution to an overall doubling in profits from operations in the industry.

The property business generated pre-tax profits of only £300,000 (£5.1m) which Mr Abell said due to the timing of the completion of projects. The disposal of a 43-acre site in Braintee, Essex should help ensure a major contribution from property activities in the current half, he added.

Before the inclusion of returns from associate companies and corporate activities, these industrial and property activities made a combined contribution to group pre-tax profits of £12.9m (£14.5m).

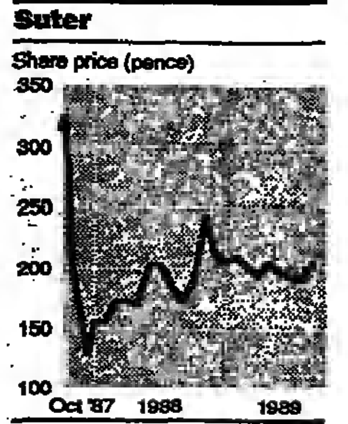
Corporate activities, including share trading and bank interest receipts, returned pre-tax profits of £7.8m (£200,000).

Share trading activities made a pre-tax profit of £3m, including a profit of £3.5m on the sale of the remaining stake in Glynwed International. While interest receipts rose to £3.5m in a half when the company had np to £70m on deposit.

Profits from associated companies fell to £1.9m, compared with £4.3m in 1988, which included £2.7m from stakes in two companies which have been taken over.

The results coincided with tha announcement of Suter's sale of a 9 per cent holding in Johnson & Firth Brown, a Sheffield-based metals and engineering company. The stake was sold for £7m among institutional shareholders.

Disclosable investments are held in five other companies.



● **COMMENT**

This result will do little to dispel the long-standing institutional concern about the extent of Suter's reliance on corporate activities. Higher bank interest rates and Mr Abell's ability as a share trader provided a counter-weight to a virtual drought in property profits. This doubt about the quality of the company's earnings has hung over Suter's head for longer than concern about the outcome of DTI investigation into certain share transactions. However, the company's chemicals and refrigeration distribution operations have had a clearly stronger six months and are certain to strengthen their positions as industrial conditions hrighten in both areas. The forecast of an increase in dividends for the year is an expression of confidence which has been lacking during the past 18 months. While the City retains its reservations, a re-rating seemed more possible yesterday with a shares on a prospective p/a of 8, assuming pre-tax profits of £44m.

National Telecom puts itself up for sale

By Vanessa Houlder

SHARES in National Telecommunications yesterday rose 14p to 98p when the telephone systems group said it was willing to consider a bid approach.

"The company has from time to time received informal approaches and has now decided to enter into discussions with suitable industrial partners which could lead to an offer being made for the company in due course," it said.

Although it was confident that it could continue to grow successfully as an independent organisation, it recognised that it was possible that it would make more rapid progress within a larger undertaking, it said.

This change of attitude follows a strategy review that took account of the market's current perception of the group, it added.

The performance of the share price has been dismal since National Telecommunications came to the market in July 1988, with its shares valued at 120p.

The shares fell from 121p to 107p in May after National Telecommunications issued a profits warning.

In the event, the results turned out to be even worse than forecast.

There was a downturn in profits from £2.91m to £2.64m for the year to the end of March. The company put the blame on a local management problem in the UK distribution business.

British Vita moves into US as profits rise 40%

By John Thornhill

BRITISH VITA, the polymer, foam, and fibre group, yesterday reported a 40 per cent increase in interim pre-tax profits to £23.53m, and revealed that it would take a strategic investment in a US company at a cost of £15.2m.

The stock market reacted favourably to the announcements and the shares gained 22p to close at 311p.

In its first move into the US, Vita will buy a 32 per cent holding in Spartech, which makes thermoplastic rigid sheet, speciality polymer compounds, and polyethylene film.

Spartech is based in St Louis, Missouri, and operates 12 factories throughout the US. In the year to October 31 1988, it achieved pre-tax earnings of $4.5m on sales of $322m. Net assets were $18.6m.

Over the next three months, Vita will subscribe for 1.1m ordinary shares at a cost of $3.2m with the balance in convertible 7 per cent preference stock at a cost of $12m. On full conversion this will represent 32 per cent of Spartech's enlarged capital.

Mr Rod Sellers, finance director, said the investment in Spartech would allow Vita to expand in the US in a controlled way as it had previously done in Europe.

In the six months to June 30, Vita's turnover was 28 per cent ahead at £286.78m (£223.76m) while operating profits grew by 45 per cent to £21.45m (£14.83m). Mr Sellers said acquisitive growth accounted for about 25 per cent of this profit advance.

The interim dividend is lifted 50 per cent to 4.2p (2.8p). Earnings per share were 38 per cent higher at 12.47p (9.03p).

Vita said it had experienced some local dampening in the UK economy since the mid-year, but it was confident that growth could be sustained.

● **COMMENT**

The City was clearly pleased that its worst fears about Vita's performance in a straitened economy had been confounded; and that view, combined with the news of the US investment, helped bounce up the shares yesterday. Nevertheless, worries linger about Vita's vulnerability to an economic downturn in the future and, in particular, the company is perceived to have a large exposure to the weak furniture market. Its strong overseas presence, however, will help to protect it and the diversity of its product range also reassures. On a prospective multiple of about 12.5 – assuming pre-tax profits of £48m – the company stands on the market average. Although Vita's strength of management and growth record suggests it deserves more, its shares are unlikely to move far ahead as long as it is shackled by cautious market sentiment. On a longer view, however, the shares look attractive, especially in the light of its "strategic keyhole investment" in the US. This will allow Vita to have a good peep around that market before it commits more funds – a strategy that has already proved successful in Europe.

£40m tag on Aspinall's freehold

By Lisa Wood

LEISURE INVESTMENTS, which has put its casinos np for sale, is to sell the freehold of Aspinall's, one of its three London outlets, for £40m to an unnamed foreign purchaser.

The casino, which is on the books at £60m, has the right to operate from the Curzon Street premises for up to two years at a peppercorn rent. Leisure has already found long term leasehold premises to which the business can be moved.

Mr Edward Vandyk, Leisure's group chief executive, said he was holding discussions over the sale of the three UK casinos, including Aspinall's, with a number of parties. Interest has also been expressed in the casinos in Istanbul, Cairo and Gibraltar.

Last month Leisure warned that profits this year would be materially below expectations.

In announcing the sale of its casinos Leisure said it was over-dependent on revenues from them, which were depressed. Its other activities include health hydros, snooker clubs, pubs and restaurants.

GMEN makes agreed £12.4m offer for Broadcast Comms

By John Ridding

THE GUARDIAN and Manchester Evening News, the holding company which publishes The Guardian, is expanding into television production via an agreed £12.4m bid for Broadcast Communications.

Broadcast Communications, which is quoted on the Third Market, is one of the UK's largest independent producers. It currently makes Channel 4's Business Daily programme and recently won the contract to supply the television pictures from the House of Commons when live broadcasting starts in November.

GMEN already has investments in hroadcasting — a 5 per cent stake in Anglia Television, the ITV contractor, and a 16.7 per cent holding in Miss World Group, which owns several commercial radio stations. But Broadcast will be its first subsidiary in the sector and represents the establishment of a new business arm.

A spokesman for GMEN said that independent television production "offered considerable attractions". He said that there was increasing demand for independent productions as the result of broadcasting deregulation.

For Broadcast the deal provides resources for expansion. Mr Michael Braham, co-founder and chairman, said: "We can now think on a bigger scale and are looking at a number of acquisitions."

He said that nothing was imminent hut that he would be "disappointed if nothing substantial was completed within the current financial year".

GMEN already holds 14 per cent of Broadcast's shares which, with the 37 per cent held by Broadcast's management, gives it acceptances of more than 50 per cent for the 330p per share offer.

Broadcast's shares closed at 325p yesterday, down 20p from the 345p to which they climbed following the announcement earlier this month that it was in discussions which might lead to an offer.

On the basis of figures released yesterday, which showed a 35 per cent increase in Broadcast's profits to £454,000 for the year to the end of June 1989, GMEN is paying a historic multiple of 37 times.

Broadcast's management will continue to run the business. Mr Harry Roche, GMEN's chairman, and Mr Michael Unger, a director, will joint Broadcast's board as chairman and non-executive director respectively.

Desoutter on target

Desoutter Brothers (Holdings), which last month accepted an £88.7m cash hid from Atlas Copco, disclosed pre-tax profits up from £3.6m to £4.5m in the half-year to end-June.

Sales totalled £27.04m (£22.79m) and after tax of £1.69m (1.33m) earnings per share worked through at 21.22p (18.14p). There is no interim dividend this time (3p).

NEWS DIGEST

Haynes Publishing returns £3m

IN A YEAR when it produced over 171 new titles and made unprecedented levels of investment in the UK and US, Haynes Publishing Group lifted its pre-tax profit from £2.73m to £3m.

The increase represented 10 per cent, on turnover ahead 16 per cent to £15.57m (£13.42m). The UK produced turnover of £10.88m (£9.47m) and trading profit £2.11m (£1.93m) while the US figures were £4.69m (£3.96m) and £812,000 (£667,000) respectively.

Earnings moved up to 37p (36p) and the dividend is raised 2p to 19p, the final being 11p.

In view of the heavy investment in new titles, origination costs are being written off over the life of the first print run or five years, whichever is the sooner. Previously the costs were written off as incurred, and comparisons have been adjusted.

The group consolidated its position as UK market leader in publishing car and motor cycle workshop manuals; it has some 25 per cent of the US market and feels there are still substantial gains to be made by acquisition. The new Nashville warehouse was proving extremely cost effective.

Waterman Partner at £5.5m

In its first full set of results since joining the market in May 1988, Waterman Partnership Holdings, the structural engineering consultants, reported pre-tax profits of £5.5m.

This compared with £3.78m last time and came from revenue of £14.96m (£10.38m).

Earnings per 10p share rose from 13.9p to 18.8p and a proposed final dividend of 4p makes a total for the year to end-June of 6p. There was a special final dividend of 1.5p last time, which related to the period from flotation to the year-end.

Mr Andrew Thomson, chairman, said that the company had continued to gain new commissions in all sectors, including some in regions outside the south-east.

Further growth was planned for the current year, which had started well. Some 400 contracts were under way covering a wide spread of commercial, industrial, retail and civil projects, many of which will continue over the next three years, he said.

Divergence between SPLIT asset values

Save & Prosper Linked Investment Trust has raised its net asset valne per capital share to £10.85 at June 30, compared with 908p a year earlier, though the net asset value per income share was static on 100p.

Net revenue for the year to June 30 amounted to £1.84m (£1.44m). Income from fixed asset investments came to £2.44m (£1.94m) and receivable interest from short-term deposits totalled £22,000 (£12,000).

Earnings worked through at 35.12p (27.51p). Total dividends for the year, already paid, amounted to 35.3p (27.51p).

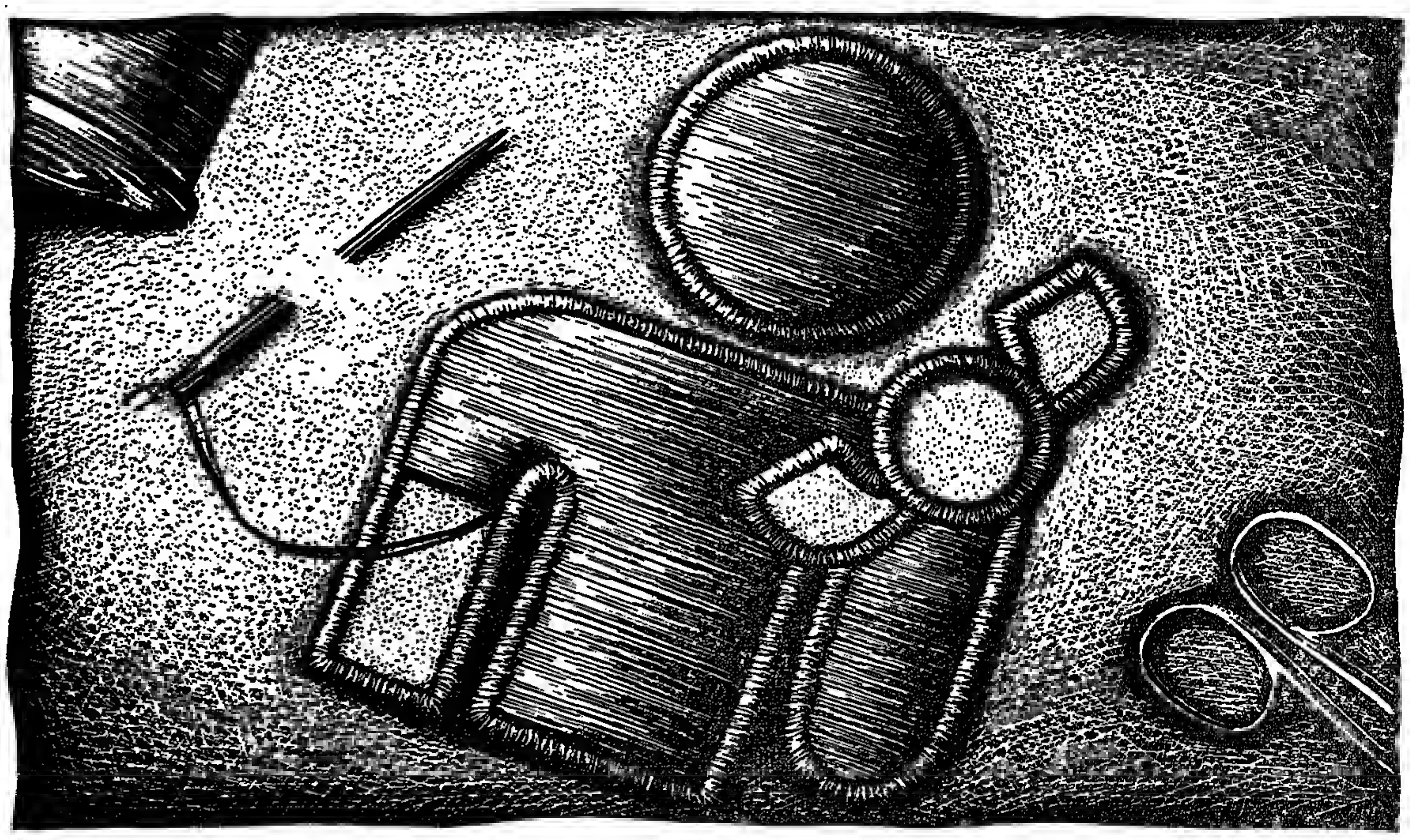
Corton Beach to buy US company

Corton Beach is spending $12m (£7.8m), to move into the US market, with the acquisition of Belam, a New York-based distrihntor of amusement machines and video games.

The acquisition will substantially expand the leisure side, which encompasses Deith Leisure, a video machines distributor in the UK, and Suzo in the Netherlands.

Initial consideration is $1.5m and further profit related payments will be made to a maximum $10.5m. This year Belam is expected to lift sales from $9m to $12m and profits from $187,000 to $400,000.

The company has excellent prospeeta for continued growth, said Mr Mike Keen, chairman of Corton Beach.



UK COMPANY NEWS

Evode pulls out because it cannot justify substantial investment needed

Polythene film deal for Scott & Robertson

By Clay Harris

SCOTT & ROBERTSON, the largest producer of polythene film in Western Europe, is extending its interests in the sector through the purchase of the film and packaging activities of Evode Group, the plastic and chemicals company.

It also severed the last link with its original business, jute spinning, by selling Dundee-based Tay Spinners to management for £1.1m. In 1988, that company mede profits of £286,590 before tax and interest on turnover of £3.58m.

The latest polythene deal is considerahly smaller than Scott's £44m takeover of Alida Holdings in June, but it adds capacity for film used in deep freezing and mail over-wrap.

Scott is paying £2.44m for the businesses, which includes the refinancing of group debt, and Evode has also received a £2m cash dividend from them.

Evode said it was selling as the result of a review in the wake of its £87m purchase of Chamberlain Phipps, the shoe components and adhesives company, in June.

Continued involvement in the sector would require substantial capital investment. Evode said it could not justify this in view of the overcapacity in the polythene film market and the resulting pressure on margins.

Evode separately sold the site of one of the film plants, at Billingshurst, West Sussex, for £2.5m. The £6.9m proceeds of two deals will increase net assets by £1.7m.

Evode had already announced the closure of Billingshurst and plans to transfer production of building and horticultural film to Worcester. Now, however, the work will be transferred to other Scott planta, and the plant at Worcester will concentrate on consumer-oriented products.

"We feel we will be able to rationalise this to the group's advantage," said Mr Cameron McLatchie, Scott chairman. Scott planned to make a limited number of products in a *limited number of plants.*

The three film businesses, Carter Brothers, VMB and Sempol, made pre-tax profits of £789,000 on sales of £17m in the year to October 1 1988, but profits fell to £18,000 in the 10 months to July 29 because of the costs of combining Sempol and VMB at Worcester.

Evode is separately selling to Scott the order book, technology and equipment for high-quality polythene packaging which it had agreed to buy from Linpac. Scott will pay £600,000 plus cash for stocks.

Rutland improves 32% to £7.4m

By John Ridding

RUTLAND TRUST, the financial services group, yesterday announced pre-tax profits of £7.4m for the year to the end of June, an increase of 32.3 per cent over the comparable period.

All of the group's four divisions saw e good improvement but Mr Michael Langdon, chief executive, said that "the corporate finance activities proved particularly successful."

The head office and corporate finance division improved profits from £1.45m to £2.22m. This partly reflects interest earnings on the group's £9m central cash resources but also resulted from buoyant demand for corporate financial services.

The insurance broking and personal financial services division raised profits from £1.46m to £1.82m. About £1m of this came from PET 8 tbe group's enterprise zone investment prodnct.

The asset financing division increased nrofits from £1m to £1.25m despite the impact of higher interest rates on demand for equipment leasing.

In the professional services division, which improved profits from £1.7m to £2.14m, Ellis & Buckle, the group's loss adjusters suffered from a low level of weather-related claims. However, Mr Langdon said that instructions on major losses increased significantly.

Hunter & Partners, the surveying practice which was acquired last year was said to be showing "considerable growth."

Group turnover increased from £37.7m to £45.57m. Fully dilnted earnings per share increased from 1.47p to 1.8p and there is an interim dividend of 0.27p (0.21p).

Tony Andrews

Michael Langdon: all divisions saw improvement

● COMMENT

Rutland Trust continues to provide some of the best news in the unfashionable financial services sector. But Mr Langdon is a frustrated man. As earnings and profits move along a steady upward path, so its rating slips – dragged down by bad news elsewhere. High interest rates, which are largely responsible for malaise in the sector, must affect Rutland's leasing business. Loss adjusting will also remain vulnerable to the will of the weather gods. Bnt Rutland's activities are well spread, this winter can be no milder than last year's and the stronger divisions show no signs of slackening. Even without expected acquisitions pre-tax profits should reach £15.5m this year and £19m in 1990, placing shares on a prospective multiple of 11, falling to 9. While this represents a premium to the sector it is too low on the basis of earnings and management.

Norfolk issues FFr80m writ over purchase of Paris club

By Andrew Bolger

NORFOLK CAPITAL Group, the hotel company, has issued an FFr80m (£7.74m) writ against Mr Peter de Savary concerning the St James's Club in Paris, which Norfolk bought from Mr de Savary two years ago.

Mr Peter Eyles, Norfolk'a managing director, said questions had arisen over the club'a planning permission, which was covered by warranties issued by Mr de Savary. The warranties were due to expire on September 16, and Norfolk had decided to serve the writ on Mr de Savary to protect its position.

Mr de Savary yesterday insisted that he sold St James as a residential members' club, for which all the planning permissions were in order and had been fully checked by Norfolk's lawyers at the time of the sale.

He added: "The fact that Norfolk has got into trouble with the French authorities for running the club as a hotel has nothing to do with me." The Paris club wes bougbt, together witb the St James Club in London, for £22m. Norfolk last year lost £1m on the clnb, which is situated near the Champs Elysées. It charges £250 for membership, which has been booming, but room occupancy levels have been very low.

Norfolk is claiming compensation representing the difference between the club's present value and its worth if it had the necessary planning approvals. It is also seeking compensation for fines and costs it may have to pay.

Mr de Savary said he would resist Norfolk's action most vigorously and resented the fact that the first thing he knew about the claim was when he received the writ.

Noble Raredon hit by start-up costs

By Vanessa Houlder

NOBLE RAREDON, formerly Gnome Photographic and now controlled by Mrs Bilge Nevzat, sister of Mr Asil Nadir of Polly Peck, yesterday reported a fall in pre-tax profits from £487,000 to £124,000 for the year to May 31.

The decline, scored on turnover of £4.75m (£2.55m), was ascribed to start-up costs resulting from a move into the leisure industry.

Mrs Nevzat said that the reduced profits were in line with expectations at this stage in the company's expansion programme. "For the next six months we would like to see everything that we have started working and showing some profit,".

The sole source of profits was the overhead projector business, originally part of Gnome. This increased turnover by 28 per cent. The company said it was investing in new models for the UK and European markets.

The Mosaic Tour Operating business, established in London and West Germany to serve markets in Turkey and northern Cyprus, started operating in March. A shortfall in demand from the UK was offset by higher than expected bookings in West Germany.

Mrs Nevzat, who assumed control last May, launched a £4m rights issue in March to finance a 51 per cent stake in the Sunset Holiday Village, a Turkish tourist development and the development of a site in northern Cyprus. The latter village is on schedule to open in May 1990. The first stage of its hotel on the Turkish Aegean opened in July.

Earnings per share fell from 2.1p to 0.48p. No dividend is declared.

Midway profit lifts Sherwood share price

By John Thornhill

SHARES OF Sberwood Compnter Services yesterday rose 13p to 118p, as the USM-quoted computer bureau and software development group returned to profitability in the half year to June 30 with £580,000 pre-tax.

In the comparative period the group incurred a loss of £1.52m because of problems at two newly-acquired subsidiaries, Corporate Technology Group and Mitronix.

Turnover was 4.5 per cent higher at £12.19m (£11.67m). Earnings were 7.7p (loss 29.7p) and dividends are resumed with an interim of 0.75p.

The gronp is focusing on three vertical markets: local government, retail financial services, and Lloyds and London insurance; and on three horizontal markets: software development, networking, and operations.

It is also planning to sell the high street broking side of its Mitronix business, which is still incurring losses.

New products had been launched and markets were huoyant. Mr Trevor Entwistle, chairman, was confident that the outcome for 1989 would show the work done over the last year had laid solid foundations for the future.

Glamar buys leather goods distributor

By John Thornhill

Glamar Group, the Leeds-based hosiery supplier which is being revamped by Mr Stephen Barker, the former managing director of Albert Fisher, is to acquire a leather goods distribution company for £4.75m in cash and shares.

The company being purchased is L & D Holdings (Jersey), which has trading subsidiaries in Manchester and Kowloon, Hong Kong. The company distributes over 200 lines of leather goods – mainly purses and wallets – to about 250 retailers in the UK.

In the year to March 31, L & D made pre-tax profits of £1.03m on turnover of £6.58m. Net assets at that date were £714,000.

The acquisition follows Glamar's recent diversification into the leather goods market by means of the purchase of Triad Leather, in April, and Symphony International, in July.

FT Share Service

The following security was added to the Share Information Service in Saturday's edition:

Danhury Group (Section: Buildings).

NEWS DIGEST

Ward White as forecast with £34.3m

WARD WHITE, the retail group, reported interim pre-tax profits of £34.3m, a rise of 24 per cent on the comparable £27.7m.

The result almost matched the forecast made during its unsuccessful defence against the £900m bid from Boots, the retail and pbarmaceutical group.

Turnover for the six months to the end of July was £405.6m (£342.3m). Earnings per share were 14.6p (9.4p) or 12.2p (10.4p) fully diluted. No interim dividend is to be paid.

The pre-tax figure included operating profits of £2.3m (£1.2m) from retail property and developments. Net extraordinary cbarges of £500,000 (£17.1m credits) related to loss on disposal of listed investments but did not include any costs in connection with the defence against Boots.

Interest charges were higher at £5.2m (£3.1m).

Continental boost for Spandex

An 11 per cent rise in interim profits was achieved at Spandex, the USM-quoted marketer and distributor of compnter-aided sign-making equipment.

In the first half of 1989, Spandex made £2.05m (£1.85m) pre-tax on turnover up to £18.81m (£13.74m). Earnings rose to 12p (10.8p) per sbare, and the interim dividend is held at 1.5p.

Sales in compnters rose to £7.24m (£5.08m), in consumables to £9.33m (£6.66m), and in Ultramark, the adhesive prodncts subsidiary, to £2.24m (£2m).

Continental Europe especially showed strong growth, the company said, adding that further investment would be made in the European companies in the second half.

Thomas Robinson £5.75m acquisition

Thomas Robinson, the holding company with interests in process engineering, wood engineering, specialist engineering, automotive trading, and finance and property companies, has acquired RFA (Penistone), a distributor of industrial consumable products for a total consideration of £5.75m.

This is to be satisfied through: the issue of £3,468,400 in floating rate redeemable guaranteed loan notes 1994 (redeemable at the option of the holders at six monthly intervals commencing June 1990); the allotment of 455,850 ordinary shares in Robinson; and the payment of £111,600 cash.

In addition, certain vendors are to be paid £170,000 for the freehold property in Penistone.

The principal vendors have warranted that RFA's profit before taxation for the year to December 31 1989 will not be less than £1.3m.

Sanderson Murray drops to £118,000

Sanderson Murray & Elder (Holdings) suffered a fall from £214,000 to £118,000 in pre-tax profits for the year to June 30.

Furthermore the company, involved in woolcombing, topmaking and merchanting both wool and man-made fibres, said that during the second half tbere bad been no improvement from the low volumes and margins reported at the interim stage.

Turnover declined from £6.55m to £5.74m. After tax reduced to £12,000 (£39,000), earnings worked through et 5.5p (9.1p).

The dividend for the year is being held et 5.5p.

The extraordinary credit of £72,000 (debit £4,000) related mainly to surplus tax provisions on previous extraordinary items.

All-round growth at Donelon Tysons

An encouraging start has been made by the new Donelon Tysons Group, with good progress on all fronts, report the directors. First interim figures, to June 30, showed pre-tax profits of £1.04m.

Donelon took control of Tysons in 1987 when rescuing it from severe financial problems; in May its offer for the balance was declared unconditional and full results have been included since. Profit in the comparative half-year was £484,000.

Turnover was £24.18m (£14.65m) and trading profit came to £1.25m (£520,000).

Mr JP Donelon, chairman, said substantial progress had been made towards creating a strong construction related group. A dividend of not less than 0.75p is forecast.

Acquisition of two major industrial sites at Aintree and Skelmersdale, with their substantial development potential, will further the progress of the property division.

FINANCIAL TIMES SURVEY

Years of rapidly rising sales are coming to an end as costs continue to rise and markets have become more competitive, writes **Maggie Urry**. The industry is tackling these problems, with varying degrees of success, while undergoing structural changes.

Hard times on high street

THE CRUNCH has come for retailing. Hard times have hit the industry in its very markets where it is most highly developed – the US and UK. The pressure on consumer spending from governments determined to control inflation, has put a strain on the profitability of the store groups.

At the same time the industry is undergoing structural changes. It is increasingly becoming an international industry, although it is well behind other important sectors such as electronics or pharmaceuticals where there is already a small number of global players.

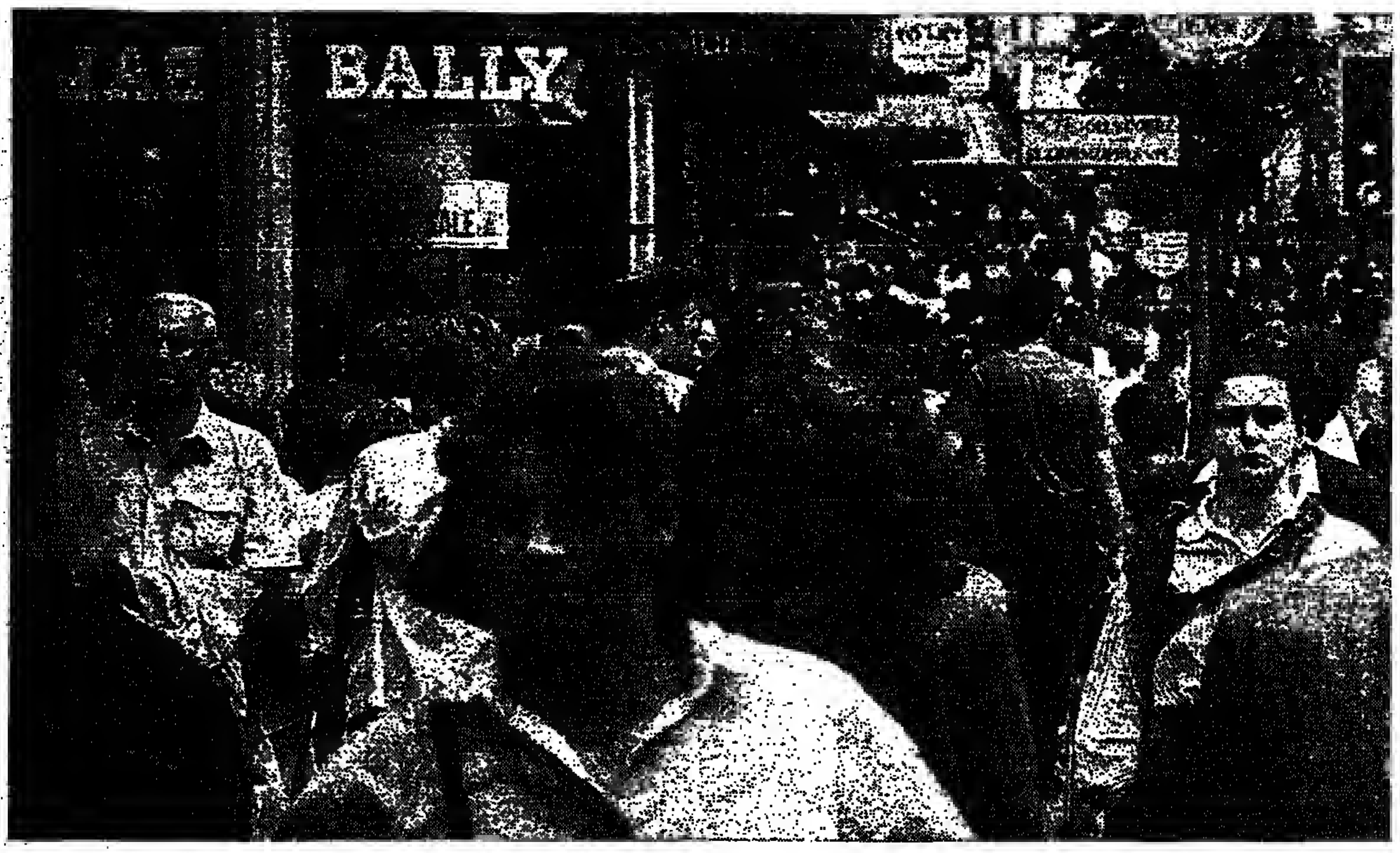
In Europe retailers are beginning to face the issues presented by 1992 – when 12 national markets will start to merge into one single market. Some are discussing co-operation between store companies in different countries, and there is the possibility of mergers across borders.

Within national markets retailers are encountering the forces of conglomeration, with merger and acquisition activity still high. In many cases control is being wrested from old-style "retailer entrepreneurs" and being taken by the new breed of hard-headed managers which regards retailing as a business like any other.

In many countries the industry has been highly controlled, not surprisingly given the vital role retailing plays in most economies as the main conduit for goods from manufacturers to consumers. A look at the Japanese retail scene shows that even in a highly fragmented and tightly restricted market the same forces are at work.

While in a number of countries – including much of Europe – consumer spending is still buoyant, retailers in the US and UK are well into the tougher trading conditions which were predicted last year. Profits from some leading retail groups – such as Storehouse, Next and Dixons in the UK and K Mart in the US – have fallen. Although the hope is for a "soft landing" in both the US and UK, there are fears that in the latter country particularly, another recession could be on the way.

Retailers which have enjoyed many years of rapidly rising sales now have to face the task of making progress in highly competitive markets, working against rising costs. To counter these difficulties, retailers are more and more picking up the weapon of information technology.



The high street battle for customer loyalty is good news for shoppers – it has seen the stores improve their service and lower prices

RETAILING

The retailers' problem is severe because of the way retailing works, with high operational gearing. A high level of fixed costs – such as property and staff costs – means that relatively small increases in volume work through to large rises in profits. But this works in the opposite direction too. When sales volumes fall, profits fall much more rapidly. That explains retailers' desperate efforts to sell goods, even if prices are cut to a level where extra sales are made at a tiny gross margin.

At the same time retailers are facing cost rises which are in many cases higher than the rise in selling prices. The competitive market means that prices of goods in shops are often not rising as fast as general inflation. But in some places wages and rents are rising faster than inflation. In the UK retailers have the prospect of a reworking of business rates next year which will also increase costs, although this problem has been somewhat overplayed.

These two factors are squeezing retailers' margins uncomfortably. The more imaginative stores are working on ways to counter them, by boosting sales and containing costs. Even Sears Roebuck, the biggest retailer in the world, has cut staff numbers by hundreds in an effort to reduce costs.

One of the greatest problems for stores is how to persuade people to come to one shop rather than another, when in most cases there is little to choose between them. On a high street or in a shopping mall it is simple for a customer to switch. When the market was booming shops were happy to copy each other, now ways of appearing different are being sought.

Improving service is one obvious method, in an age when the best service a shopper is likely to find is in a self-service store. At one extreme, Wal-Mart, the fastest growing store group in the US, has a full time "greeter" at the entrance to each store welcoming shoppers as they come in rather like the phalanxes of bowing staff in Japanese department stores. Many retailers are putting an emphasis on training staff to be more responsive to customers needs.

Technology is coming to the aid of customer loyalty. Regular customers can be identified and offered discounts or incentives to keep coming back.

Information technology is vital to retailers efforts to stock the right goods, in the right quantities at the right times. Retailers are beginning to recognise the revolution that electronic point of sale systems will bring to the business. Both Boots and W H Smith have reported improvements in profits which they ascribe to the introduction of Epos.

On the simplest level Epos, which logs every sale by item on a computer, acts as a much more efficient stock control system than can ever be achieved by hand-counting of goods. That means that stock can be ordered more rapidly to replenish shelves, and slow-selling lines can be quickly spotted and removed or reduced.

By tying the sales information into the distribution system and back to suppliers, shops can expect a faster response time and can therefore hold lower stocks, saving in some cases millions of pounds. Additionally, staff time is saved by doing away with price-marking of goods – although this can cause problems if prices displayed on shelves do not match up with the prices in the computer memory.

But the information made available from Epos has considerably more far-reaching potential than that. Mr Mark Husson, retail analyst at Morgan Stanley, the investment banking group, says that Epos "holds the key to retail profitability."

Retailers can use the system in many ways. These include adjusting gross margins or running promotions and monitoring the effect on sales; combining the sales information with "direct product profitability" (DPP) techniques to assess just how much profit each line makes; finding out the busiest times of day so that part-time staff can be organised most cost effectively.

One idea which stores are picking up on, and which will only become possible on a wide scale because of Epos systems, is "micro-marketing" – when chain stores tailor their product ranges to local markets. A multiple group may have shops in widely different areas in terms of local competition, spending power, levels of employment, and socio-economic mix. It does not make sense to offer the same product range in each shop.

Others are using information culled from existing stores to enable them to stock new stores more accurately. With the aid of technology a new store can be designed on screen even before the walls have been built.

Armed with these sorts of skills, retailing is becoming more a business based on facts rather than the old idea of "gut feel" or flair. Some of the leading personalities in retailing have suffered reverses – Mr George Davies, the man who created the once highly successful Next chain, has been ousted.

Instead retail gronps are being run more like other consumer businesses, with managers seeing shop identities as hrands which need to be nurtured like soap powder or whisky. Even the homespun reputation of the head of Wal-Mart, Mr Sam Walton, is more than anything else a disguise veiling a highly organised and efficient company.

This has encouraged retailers to make more acquisitions, scorning the old theory that a company which succeeded in one area of retailing had no guarantee of success in another. Boots' recent takeover of Ward White was motivated hy the idea that if Boots has retailing skills these can he applied to any retail business and not just chemist stores.

A similar conviction has persuaded retailers to make scquisitions across national houndaries, using skills developed in the home market, adapted to local market conditions.

Highly competitive markets will sort out the winners from the losers in retailing, with the winners likely to make the most of the opportunity to capture the losers' market share or even acquire them. Though there will always be room for new entrants into the market with hright ideas – because the entry cost of opening a single shop is modest – the move towards larger groups, and the hreaking away from national limits is likely to accelerate.

Knives are being sharpened over stakes in the UK food sector, says **Maggie Urry**

Giants prepare for a battle royal

THE BRITISH food retailing market is in a state of flux. The two leading players – J. Sainsbury and Tesco – seem to have secured unassailable positions. But the fight is on for the other places in the pecking order. Since it takes annual sales of about £350m to gain a 1 per cent market share, the struggle is a battle of giants.

In the last few months there has been an extraordinary level of corporate activity in the sector. The most important move has been the £2bn leveraged buy-out of Gateway, which had held third place in the market, by Isosceles, a company headed by Mr David Smith who had masterminded the Budgens bid for Gateway a year earlier.

Consequent upon the Gateway takeover, was a deal to sell 62 of the largest Gateway stores, and a warehouse, to Asda for £705m. This means Gateway losing annual sales of £1bn, and so slipping down the order while Asda moves up.

Many expect that further parcels of stores will be sold off as Isosceles struggles to pay off its mammoth debts. Indeed, some see the old Gateway becoming less and less of a force in the market providing a softer target for others to expand. The big five grocery retailers could become the big four, each with over 10 per cent of the market.

Meanwhile, Asda itself has been the subject of bid speculation. And a merger between two regional groups – William Low, whose stronghold is Scotland, and Budgens, based mainly in southern England – was first agreed and then suddenly broken off.

At the start of the year Iceland took over rival frozen food retailer Bejam, and Kwik Save bought Victor Value.

Argyll has been busy transforming its Presto stores to the Safeway format which has the stronger consumer franchise. Since Argyll took over Safeway in February 1987 it has moved up the league table and is reporting strong growth in sales from the converted stores.

Marks and Spencer, which has for years sold food in its chain stores, is now planning a chain of 100 up-market food-only stores, which some estimate could give it food sales of £1bn a year.

The fight is on in the food retailing pecking order where it takes annual sales of about £350m to gain a 1 per cent market share

At the same time, Aldi, one of West Germany's leading food retailers, has been planning a determined push into the UK market with its cut price, limited range format, apparently prepared to suffer losses for years if necessary in order to secure a foothold in the market.

Tengleman, another German food retailer, became involved in the Gateway bid through its US grocery subsidiary the Great Atlantic and Pacific Tea Company (A & P) which was part of a rival bidding consortium for Gateway.

Some observers speculate that either Tengleman or A & P will now look for another way into the UK market, most probably through an attempt at acquiring another retailer.

It is not hard to see why all these group's want to increase their market share. The food retail market has not simply been immune from the problems of the rest of British retailing caused by the constraint on consumer spending; food sales have actually been rising throughout the hot summer – perhaps because fewer people are taking foreign holidays and enjoying barbecues in the garden instead, perhaps because consumers are indulging in food at home having traded down from eating out or buying expensive items.

British food retailers' profit margins are high. And in spite of the fierce competition between the players, there has not been a price war. Although keen prices are part of almost every food retailers armoury in the fight for the hearts, minds and purses of shoppers, the thrust of competition is in other areas.

One important issue on which food retailers aim to compete is service. This includes things such as electronic point of sale technology which allows a swifter exit from the store, provides itemised till receipts, and increasingly allows direct debiting of bank accounts. It should also free staff to help shoppers.

Sainsbury has used its information technology to provide shoppers with "unit pricing" – showing how much a packet of soap powder, say, costs per 100 grams thus allowing direct price comparisons between different brands.

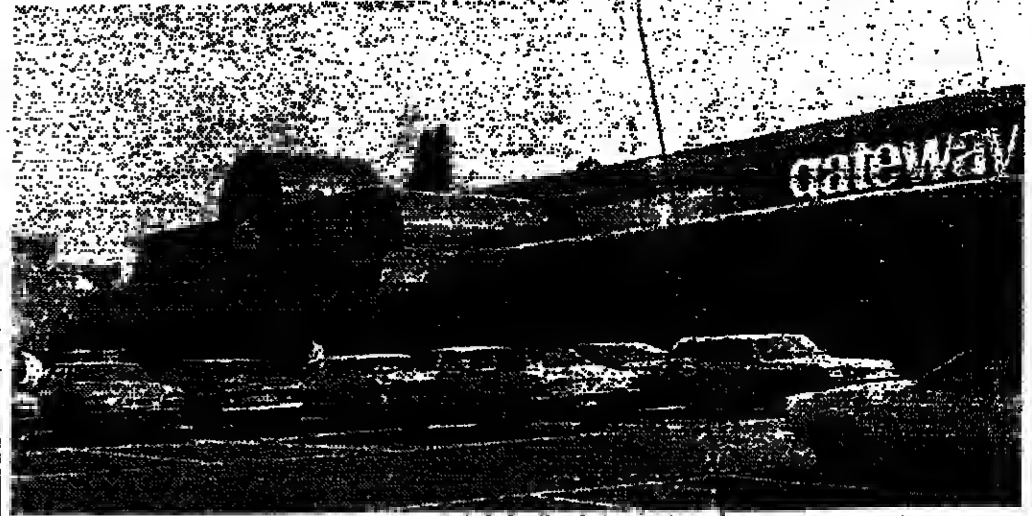
Another area is own label products – where each retailer hopes to outdo others in the range and quality on offer. It is particularly true in fresh foods such as meat, fruit and vegetables which almost by definition are "own label" and where there is scope to take market share from independents like butchers, greengrocers and fishmongers.

Stockbroking analysts are expecting the sector to show further strong profit growth. The leading groups are thus able to finance huge expansion programmes to gain increased market share. The fear that this would lead to an oversupply of food retail selling space and therefore even more intensive competition seems to have receded.

Superstores, the massive food shops which generate for their owners higher turnover per square foot of selling area and higher net margins, are no longer seen as the only successful format. The leading groups continue to shift their store portfolios towards the larger units which provide "one-stop" shopping.

But the policy of Gateway's new management is to concentrate on smaller supermarkets, sited closer to the shoppers' homes rather than on edge-of-town or out-of-town sites which are suited to car-borne shoppers.

Whether this policy is generated by the necessity of selling superstores to pay off debt, as some cynics would argue, or not it is one shared with others of the smaller food retailing groups. The aim is to provide customers with a more convenient store which still carries a wide range of goods at competitive prices so that shoppers have a local alternative to superstores.



Gateway, which had held third place in the market, was the subject of a £2bn leveraged buy-out

Leading stores view 1992 with some uncertainty

Single market stock take

THE CREATION of the single market in 1992 is unlikely to have an impact on day one. But it is already influencing decisions in all areas of business, and seems destined to become of material importance to companies large or small operating within Europe.

At first sight it is difficult to see how the actual provisions of the single market will have much effect on retailing. It is by its nature an industry which must be close to consumer tastes, and the single market is not about to homogenise a wide variety of local tastes. At first, little was said about the relevance of 1992 and the removal of trade barriers to retailing – historically an industry largely confined within national boundaries.

There will be some benefits in the freer movement of goods across frontiers which the European Commission has estimated could reduce distribution costs by 5 per cent. This could make pan-European sourcing simpler. Cross border expansion will become easier and joint ventures and franchising will be less cumbersome.

More important, as Price Waterhouse, the management consultant, points out: "The effect has been to wake retailers up to the opportunities of going into Europe." Similarly, Coopers & Lybrand, a management consulting group which has carried out much research on 1992, says the most important effect of 1992 is one of attitude.

In many ways the change in attitude will be less marked for retailers in continental Europe than for those based in Britain. On the Continent, retailers have been far less intimidated by national borders and more prepared to add links to their chains across frontiers. Carrefour, the French hypermarket retailer, for example, is also a leading operator in Spain.

British retailers appear to have found the sea much harder to cross. At the same time they have had more scope to develop at home, free of the restrictive laws on shop openings which are seen in some countries of the north European mainland.

Overseas moves by British retailers have been largely aimed at the North American market, where the language differences are less intimidatory. Of the few British moves into Europe, even fewer have been successful.

There are structural differences between UK and mainland retailing. While mainland European retailers have been active in combining in buying groups and voluntary groups, such as Spar, British retailers have developed multiple retailing to a far greater level. Where most large British retailers are publicly quoted, and so capable of being taken over, many European companies are privately owned making it harder for outsiders to acquire them.

Earlier this year, however, a co-operation agreement was announced by three food retailers, one of which is British. The three – Royal Ahold, of the Netherlands, Casino, based in France, and Argyll, the British group which owns Safeway, Presto and Lo-Cost – said they would discuss working together on a wide range of operational fronts, including buying. Other food retailers are joining the threesome. The link became more formalised with the recent announcement of a cross-shareholding between the three.

The importance of combining buying power is likely to increase as food and consumer goods manufacturers merge and as they come to regard Europe as a single market. While retailers, particularly those in the UK, have often held the balance of power against manufacturers, this could now swing the other way.

At first sight it is difficult to see how the actual provisions of the single market will have much effect on retailing

D'Arcy Masius Benton & Bowles, the advertising agency, says that suppliers of, for example, confectionery, toiletries and packaged groceries, are increasingly able to package and present products for the Community as a whole. Satellite television is likely to make pan-European launches of products more common.

DMB&B says: "Insofar as no UK retailer, no matter how big at home, will be able to dominate the single market, then the balance of power may shift back towards the supplier, especially one that is strong across several national Community markets."

There may also be benefits in groups combining their distribution operations, with the suppliers delivering goods into central depots. In the future Britain may come to be reclassified as part of north west Europe.

Within the Community different countries are seen as being more or less attractive. The northern mainland markets are fairly congested and opening shops can be made difficult, for instance by the Loi Royer in France and the Loi de Cadenas in Belgium, laws which restrict the number of shop openings.

Many mainland retailers have been attracted to the UK by the higher profit margins which companies seem able to generate there. There have been a number of successes such as C&A, Ikea, and Benetton. The prospect of more coming, means that even the most head-in-the-sand British retailers must realise that 1992 has a significance for them.

Other attractive areas are seen to be the southern European states where retailing is less well-developed, and population and/or consumer spending growth is faster than in the rest of Europe. Already there has been much movement into Spain, for example, with British groups included.

One type of retailing may be more amenable to moving across borders than others – mail order, which needs no shops but can use satellite television to display goods to potential customers.

Already the large European home shopping companies – such as Great Universal Stores in the UK, and Otto Versand, in West Germany – have operations outside their home country, although these are largely operated as separate businesses. Further cross-border moves have been seen, such as La Redoute, the French mail order company, taking a large stake in Empire Stores, in the UK.

The coincidence of 1992, which should bring an approximation of value added tax rates, and of improving technology, such as widespread shopping from home via television and telephone links rather than by post as the French have pioneered with Minitel, makes mail order an obvious gainer from the single market.

Maggie Urry

JAPAN

Stores brood over big ideas

FOR A long time Japan's byzantine, xenophobic and inefficient retail industry had been expecting a shake-up. But no one was prepared for the magnitude of the changes proposed in July by the unlikely figure of Mr Shigeru Kobayashi, the president of Shuwa Corporation, a privately-owned real estate development group.

Mr Kobayashi, who has no previnus experience in the retail industry, announced that he had acquired significant shareholdings in four medium-sized Japanese supermarket operators – Nagazakiya, Inageya, Chujitsnya and Life Stores – and planned to merge them to establish a chain-store empire. His challenge is widely believed to be the beginning of a trend towards large mergers in this sector.

Japan's retailing and distribution industries operate like a giant private club. The fragmentation of the retail sector is amazing to behold. National retail sales were estimated to be worth more than $850bn last year, with the top four retail groups – Daiei, Ito-Yokado, Seibu-Saison and Jusco – accounting for little more than 1 per cent of national retail sales.

But when the rationalisation and merger spree is over in the late 1990s Japanese retailing should look a lot more like its US or European counterparts, with the industry dominated by a handful of gigantic, efficient and profitable groups with unparalleled buying clout and marketing muscle.

New retail giants, such as the one proposed by Mr Kobayashi, are unlikely to emerge in great numbers. The Tokyo office of brokers Swiss Banking Corp International suggests that the leading 15 to 20 largest retail groups will use their superior access to capital and expertise to grow even larger by gobbling up small, regional operators at an accelerating pace.

"The typical pattern which may develop is for a large superstore to take a minority stake in a regional retailer and then, after several years, to fold it into the group," a recent Swiss Banking Corp report suggests.

Most analysts are tipping the existing giants, Daiei, Ito-Yokado, Seibu-Saison and Jusco as the ones that will be able to maintain and build upon their pre-eminent positions.

The only medium-sized retailer that is expected to leapfrog into the big league is the ambitious Osaka-based Nichii. It plans to develop 70 company-owned retail and leisure complexes in the next five years, boosting floorspace by up to 700,000 sq metres, and to more than double turnover to more than Y2,000bn by 1994.

The fragmentatinn of Japan's retailing and distribution industries stems from a mixture of cultural, social and political factnrs. Densely crowded cities and towns, with their lack of infrastructure and proliferatinn of tiny apartments (with tiny refrigerators), have forced most women to shop daily. Although more than 60 per cent of women work this habit endures.

Most Japanese do their shopping for the sake of convenience in the local "sho-ten-gai" shopping street, composed of a chaotic collection nf extremely small speciality stores. Customer loyalty to individual stores is high. More than 70 per cent nf Japan'e retail sales are conducted through emall stores, which typically have a floor space of less than 50 sq metres. More than 1.6m pocket-sized "mom and pop" stores cram the narrow main streets of Japanese cities.

As these Lilliputian stores are almost impossible for manufacturers and wholesalers to reach directly, a whole industry of secondary wholesalers and tertiary wholesalers has emerged to provide daily deliveries of small quantities of goods.

A typical consumer item – such as a colour TV or woollen sweater – that might pass through two or three sets of hands in Europe nr America could be handled by up to six different companies in Japan. Japan's wholesale sales to retail sales ratio – the ratio of total sales in the wholesale industry to those of the retail industry – is four, compared to 1.75 for the US and 2.13 for the UK.

The length of the distribution chain is not the only distinguishing feature of the Japanese industry. Retail price maintenance – illegal in most parts of the world – is brutally enforced by leading manufacturers and wholesalers. Most retail and wholesale gronps operate an exclusive "cho-ai" system of favoured suppliers. Relationships between retailers, wholesalers and suppliers, frequently cemented by cross-shareholdings, are forther bonded by close personal ties between executives. Golf games and evenings in expensive hostess bars are weekly team-building events.

The relationships between manufacturers and retailers are especially close in the areas of electrical goods, liquor shops and clothing. In all three of these areas manufacturers provide (and pay the salaries of) their own staff who work on secondment as sales assistants in big stores. According to one recent report, 450 of the total staff of 500 in a big Tokyo electrical goods store are employees of domestic manufacturers.

In Akihabara, Tokyo's electronics department store wonderland, it is said that 10,000 store salesmen are actnally employees of Matsushita, Hitachi, Toshiba and NEC, Japan's domestic consumer electronics giants. Manufacturers also provide soft, stock-financing loans and cosy rebates to keep retailers promoting their brands.

The odds against newcomers breaking through the defences of such a system – be they Japanese nr foreign – are extremely unfavourable. In the 1960s, a threat was mounted by entrepreneurs establishing vertically-integrated chain stores, bnt their growth caused an uproar in the trade and the government passed the Large Scale Store Opening Law in *1974 to slow them down.*

The law makes it very difficult to open stores. Every planned store of more than 500 sq metres must be approved by city or prefectural government. Any store of more than 1,500 sq metres must be approved by *the Ministry of International* Trade and industry after consultation with local etore owners.

Local store owners have been able to nse the consultation clauses of the law to delay store openings for up to 10 years and also bargain with the ministry to reduce the size of the few new stores that make it though the planning maze.

The small store still dominates Japan's high streets

In addition to these national laws, local governments have also rushed to implement tough zoning rules that make big store openings even more difficult. At least 73 applications and 26 certificates are required before a store can open – leaving plenty of room for objectors to delay and obfuscate.

The political and social environment that allowed Japan's small store owners to freeze in time the retailing and distribution system is changing rapidly and is under threat from various quarters.

As part of its "Super 301" trade action against Japan launched last May, the US Department of Commerce insisted on an examination of Japan's distribution system and other structural barriers to imports. It is a foregone conclusion that the eventual report of this study will criticise the system as a barrier to imports.

The US is already applying strong pressure on Japan to implement reforms and other foreign countries are joining the cause. *Adding to the foreign pressures* are new domestic forces, especially the emergence of convenience chains.

Convenience chain stores such as Seven-Eleven, Family Mart and Lawsons – controlled by the leading supermarket or department store groups – have been able to slip in under the legal fences and are already taking their toll on the traditional small stores. *Their number is expected* to grow by more than 30 per cent to over *24,000* over the next few years and Jardine Fleming Securities predicts that industry sales will double to about Y4,000bn by the *mid* 1990s.

A gradual breakdown of the effectiveness of the Large Scale Store Opening Law, under foreign and consumer pressure, is also serving notice to the "mom and pop" industry. Few retailers expect the law to be abolished. Instead most see a gradual weaking of its application and a stronger ministry bias towards encouraging supermarket openings.

The MITI has begun to turn a blind eye towards supermarkets that stay open beyond the legal closing time. *This is a* blow to small stores because much of their trade comes after the 6 pm mandatory closing time for supermarkets.

Sensing that change is in the air, the big supermarket chains are stepping up their new store opening plans. Applications before the MITI to open supermarkets are rising rapidly as developers believe that the once typical five or seven year waiting period may be whittled back to as little as two years.

Japan's retailing and distribution industries operate like a giant private club

The few "mom and pop" stores that can withstand foreign pressure, deregulation and the onslaught of the convenience chains over the next decade will probably be unable to counter another force behind industry rationalisation – death.

Buying a small store was for several decades the retirement choice for hundreds of thousands of pensioned salaried workers. But today the greying proprietors of "mom and pop" stores are unable to persuade their sons and daughters to take over the business. Most of the estimated 100,000 stores which pull down their shutters for the last time each year close because of the age, infirmity or death of the owner.

In today's climate of full employment, the sons and daughters of the "mom and pop" industry have no interest in spending the rest of their days in a non-air conditioned wooden building in the Sho-ten-gai. And those retirees who once would have bought into the business now have plenty of new financial products in which to invest their lump sums.

Rex Brown

UNITED STATES

Troubled grande dames

FATE HAS not been kind to would-be retail magnates. A slump in the US retail environment which coincided with the beight of takeover fever has left the highly leveraged operations with the double burden of higb debt and slow sales. Although the two year slump appears to be over, the recovery may not be dramatic or fast enough to help the flagging and indebted businesses. The big department stores are also facing stiff competition from a number of successful speciality operations.

The takeover trend peaked in 1986, when Mr Robert Campeau, the acquisitive Canadian investor, bought up Allied Stores and with it some of New York's biggest department stores for $3.5bn. The deal was financed largely by junk bonds. A year later Mr Campeau added Federated Department Stores, including Bloomingdale's, to his stable for $6.6bn.

As the cash flow has started to dry up at Federated and Allied, their prohlems have magnified. According to Ms Michelle Davis, an analyst at Oppenheimer, New York stockbrokers: "The excessive leveraging of many department stores will be their undoing."

The recent history of Bonwit Teller and B. Altman is seen by some as a cautionary tale of how LBOs can damage a basically healthy business. Both department atores were acquired by Mr Campeau as part of Allied and eventually both ended up in the hands of L.J. Hooker, the US arm of Hooker Corporation, the Australian real estate company. Both filed for protection under Chapter 11 of the Federal Bankruptcy Code last month.

Although the stores' troubles are partly attrihuted to *Hooker's Australian operations* which were hurt by high interest rates, both stores have also suffered from the sluggish US retail market. Furthermore, analysts say that the succession of different owners for botb outfits has hampered their development.

The two old New York retailers have kept merchandise in the stores by paying suppliers ahead of delivery but their survival is far from certain.

Several department stores are reaping benefits from the troubles of their competitors, such as Nordstrom, Dillard and May which have gained market share in the department store sector, but the majority are losing market share to speciality outfits. The grande dames of retailing have cut costs and examined their selling techniques to remain competitive.

The majority of the department stores are losing market share to speciality outfits

A popular cost-cutting move has been to shift corporate headquarters from high-rent to cheaper locations. J.C. Penney has moved its new corporate headquarters to Dallas, and Sears is vacating its landmark downtown Chicago building for a home in the suburbs.

Analysts expect the recent changes at J.C. Penney to begin paying off this year. Among the other restructuring steps have been closing poor performing businesses, discontinuing hard good product lines and moderuising management information systems.

Sears, the world's largest retailer of general merchandise, has fallen on hards times. Earnings have fallen at an annual rate of 7.7 per cent for the last five years. The company plans to sell its Sears Tower property and introduced lower prices in March to lure bargain-hungry shoppers.

While this may take its toll on gross margins, Sears hopes to make up the difference with increased volume and lower selling expenses. The company is also buying back stock.

In addition to being hit by the depressed retail environment, department stores have been hurt hy the growing popularity nf speciality competitors. The GAP and Limited Inc are two prime examples. Both have seen market share grow at a faster rate than conventional department stores.

The Limited, one of the largest women's clothing specialists, was impervious to the decline in the women's clothing market and saw annual sales rise from $2.39bn in 1985 to $4.1bn last year.

Limited's earnings per share have nearly doubled from 80 cents in 1985 to $1.36 in 1988. Analysts attribute the company'e success to its management of inventory. The Ohio-based company manages to get its goods produced mnre quickly than most of its competitors so that retailers can judge orders by immediate sales instead of placing orders several months in advance. Moreover, the Limited's distribution capabilities are considered unrivaled in the sector.

The GAP, with 718 GAP and 110 Banana Repuhlic shops, has also shown remarkable growth. Annual net income leapt from $1.01 a share in 1985 to $2.05 last year on sales of $1.25bn from $647.3m four years ago.

Another fast-growing sector is the speciality catalogue business. The catalogue companies benefit from the high pressure corporate lifestyle, which leaves little time for recreational shopping. The proliferation of credit cards and toll-free long distance telephone lines have also helped attract customers. Furthermore, they don't need expensive downtown properties and a large well-healed sales force. About 100,000 companies will mail 11bn catalogues to consumers this year, nearly twice the number in 1980.

Among the most successful is Lands' End, which sells its own label canvas luggage and casual clothing made by others. The 26-year-old company has seen sales grow by 25.5 per cent compound annual rate in the last four years, with an extremely healthy return on equity. Lands' End has held its ground in the rapidly expanding catalogue market. Last year the Wisconsin-based company mailed 75.7m catalogues.

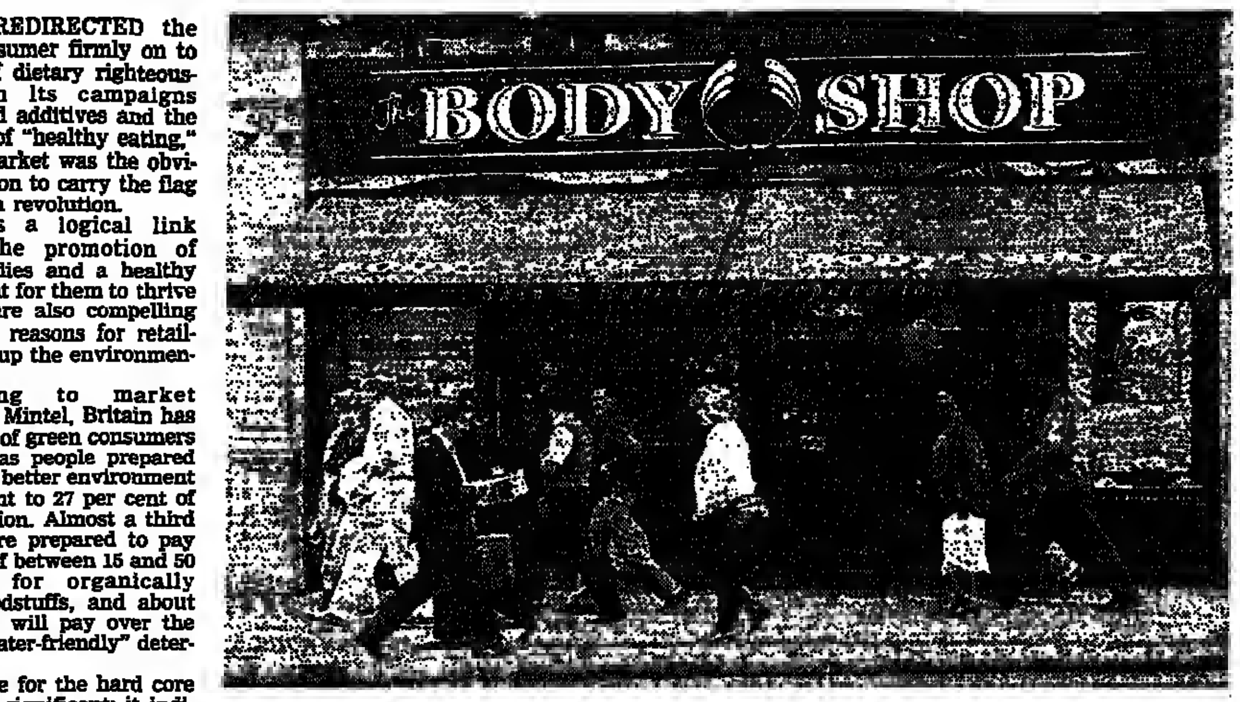
Insiders, inclnding tbe founder Mr Gary Comer, own about 60 per cent nf the company. When the company went public in 1986, shares sold at $15. In the first seven months of this year they changed hands between $26¼ and $35¼. Lands' End posted revenues of $456m up 35 per cent from the previous year.

Another successful catalogue retailer is J. Crew, a New York-based company which has been in business for six years. Catalogue sales are expected to be about $150m this year, up 50 per cent from 1988.

However, the catalogue sector is not without its own worries. Third-class postage in the US rose 25 per cent last year and there are worries about paper and printing costs and the possibility of a softer US economy. A congressional bill may call for mail order companies to collect state tax, which is different for each of the 50 states. This would be unwieldy and increase administrative costs more expensive.

Karen Zagor

The supermarkets are in the vanguard of the green revolution



Who is the greenest? The Body Shop chain gets a high score from consumers

Wealth from health

HAVING REDIRECTED the British consumer firmly on to the path of dietary righteousness, with its campaigns against food additives and the promotion of "healthy eating," the supermarket was the obvious champion to carry the flag of the green revolution.

There is a logical link between the promotion of healthy bodies and a healthy environment for them to thrive in. There are also compelling commercial reasons for retailers to take up the environmental banner.

According to market researchers Mintel, Britain has a hard core of green consumers – defined as people prepared to pay for a better environment – equivalent to 27 per cent of the population. Almost a third of adults are prepared to pay premiums of between 15 and 50 per cent for organically sourced foodstuffs, and about 50 per cent will pay over the odds for "water-friendly" detergents.

The figure for the hard core is the most significant: it indicates a substantial group of people with special requirements. If people with babies, for example, merit a special baby section in the supermarket, even though they represent a far smaller segment of the average store's customer base, then the "green" consumer commands comparable consideration.

If these people cannot find their phosphate-free detergent in their regular store they are likely to shop elsewhere. Providing for discrete consumer groups' special requirements becomes increasingly crucial as the habit of shopping once a week gains popularity.

The pressure on other retailers is not so great. Positive demand for "green" products has yet to spread much beyond the day-to-day necessities and sundries. And yet stores like Habitat have attempted to make their mark by declaring a sales embargo on furniture made from so-called non-renewable tropical hardwoods. Last year the Bentalls department store chain plastered stores with the claim: "Bentalls cares for the environment."

The B&Q do-it-yourself chain is promoting biodegradable paints, and housebuilder Bellway is giving away a nest box for displaced birds with every new home.

A cynical ear may detect the rumble of a bandwagon. But the indications are that an international popular movement is getting under way – or, rather, starting to encroach on the British consciousness from its base on the Continent.

Political parties of all colours have turned assorted shades of green. Manufacturers of every imaginable consumer product have attempted to present themselves as environment-friendly, and there are swathes of European Community legislation, proposed and in process, which will ensure that the ever-widening range of environmental issues continues to be given media prominence.

There are countless opportunities for retailers to gain a competitive edge by showing themselves in a positive green light. They have a greater command of consumer confidence than political parties or manufacturers. Relatively simple public relations manoeuvres, reinforced by the occasional offensive – such as the retailers' embargo on chlorofluorocarbon propellants in aerosols – are proving highly effective.

Greenest of all, perhaps, is the uncompromising Body Shop chain. Selling a limited range of benign cosmetics and lotions, it was given a high score for environmental concern by 29 per cent of all adults polled by Mintel – and by 35 per cent of women. Boots, by contrast, which sells a far wider range, scored 21 per cent and 27 per cent.

J. Sainsbury, the supermarket chain, scored 19 per cent among adults, compared with tail-ender Asda with 4 per cent. A 21 per cent mark for Marks & Spencer, which has a high reputation for pure, lightly-processed food, helps illustrate the link in people's minds between corporal and environmental well-being.

In terms of action, Sainsbury's has led the field for some time, and seizes every opportunity to recount its achievements. It has installed "banks" for collecting recyclable bottles, aluminium cans, even newspapers. One of its newest stores recently won the Electricity Council's annual award for energy efficiency. Shelf stickers direct shoppers to "green" products and organic produce. It has cast out chlorofluorocarbons (CFCs, blamed for damaging the ozone layer) from aerosols, packaging and refrigeration units. In a coup last March, Lord Sainsbury, chairman, was the only shopkeeper summoned to address an international conference, called by Mrs Thatcher to air concern for the ozone layer.

The nearest opposition, including Tesco, Safeway, Gateway and the Co-op, has been swift to counter. Popular papers, magazines and weekend colour supplements regularly feature the fruits of their persistent public relations campaigns.

There is, however, some risk that this game of greener-than-thou leapfrog might run out of control. The experience with healthy eating showed that people absorbed information slowly, and tended to be confused by overdoses.

An analysis by Brand New, the product development company suggests that 20 years ago healthy eating was regarded as a masochistic activity by most people. Ten years later, the welter of advice and conflicting evidence provoked confusion. However, limited ranges of products, such as wholemeal bread, brown rice and high-fibre cereals began to make significant progress. Healthy eating was becoming trendy.

Since then, lifestyle and image have overtaken overt health benefits as the main selling points, and healthy eating has become a normal activity.

Environmentalists have warned of the dangers of overkill. Extravagant claims might dissipate the forces for good already at work, and lead to cynicism among consumers. The Advertising Standards Authority has taken a stand. After taking several leading companies to task for fanciful application of the terms "green" and "environment friendly," it warned recently that it would in future be keeping a close watch on publicity.

Those in the forefront of the greening of Britain have a considerable responsibility to be clear, fair and honest. They have to pace their programmes to ensure that they do not get too far ahead of the market. They must also bear in mind that Britain's late awakening to environmental concerns means the country's infrastructure is in no fit state to handle excesses of zeal.

Facilities for recycling aluminium and steel cans, glass, paper and plastics fall far short of those elsewhere in the industrialised world. For example, the UK has one bottle bank for every 16,000 people compared with one for every 1,500 in the Netherlands. Only 5 per cent of aluminium cans are recovered compared with 55 per cent in the US and up to 85 per cent in Sweden. Much excitement has been generated about retrieving and recycling plastic waste, but there is as yet no effective means of processing it usefully.

Christopher Parkes

David Barchard on the advance of electronic payment methods

Lure of the low-cost card

RETAILERS HAVE been in thrall to banks since the beginning of time. Now, with electronic technology changing the way customers pay for their goods, the relationship between banks and retailers is being rapidly transformed.

The changes, already widespread in some advanced industrial economies such as Britain, Denmark, and the US, though much less common in West Germany, centre on the use of plastic cards.

Electronic technology has made it possible for large retailers to manage stock taking operations through point of sale terminals, called EPOS, with an efficiency impossible a generation ago. Add funds transfer payment to EPOS and you get EFTPOS, electronic funds transfer at point of sale.

Developments in EFTPOS have come thick and fast in the UK in the past year, where payment by plastic card through bank-owned terminals such as Barclays' PDQ or Accept, has become fairly widespread.

● EFTPOS UK, a centralised electronic payments system operated by the banks, began its first "live trials" in three British towns in August.

● Switch, a new electronic debit card scheme, has been set up by NatWest, Midland, and Royal Bank of Scotland, gaining rapid acceptance among some retailers.

● Lloyds Bank has launched what it claims is the most advanced EFTPOS terminal for stores, enabling retailers to combine their own automated counter installations with the bank's electronic payment authorisation terminal.

● "One stop" processing services for most credit and debit cards is being provided to retailers by banks. Smaller banks such as Lloyds and Royal Bank of Scotland are competing against NatWest and Barclays to provide these unified card processing services.

Though not all European markets are moving at the same speed, there are comparable developments going on elsewhere in Europe.

"The consumer market has radically changed," says Mr Michael Williamson, Research Director at APACS (the Association of Payment Clearing Services) in London. "Retailers everywhere are automating their information handling of which payments are only one part. They are looking for and finding natural synergies between EPOS and EFTPOS."

"Introducing EFTPOS only would be a very hard slog for banks and retailers, but in practice it 'piggy-backs' on to EPOS." Mr Williamson says.

Other financial services industries note that the changes are not confined to Britain. "What we are increasingly seeing is that retailers are crossing national frontiers in Europe – not always successfully at the first try, it has to be said – and developing international experience early on," says Mr Alan Stark, Managing Director of American Express Travel Related Services in the UK.

Installing the technology has given retailers a strong competitive advantage and gone a long way to dissolve the cartels operated by the banks in the 1970s. One indication of this has been a fall in the merchant discount – the commission on each credit card transaction paid by retailers to the banks – in 1980.

"The average merchant discount is now down to around 2 per cent from 2.3 per cent not much more than a year ago," says Mr Ken Bignall, chief executive of Barclays Central Retail Services which issues Barclaycard and Connect, the first UK debit card.

Banks outside the scheme claim that the biggest victories by retailers over banks have been scored in the setting up of the Switch system. Switch was set up in the autumn of 1988 to a chorus of criticism from credit card organisations.

It is an "electronic-only" card which cannot be used with a paper voucher or outside the UK. But it is precisely these two characteristics which make it attractive to retailers such as Sainsbury's which want a low-cost, no frills payment instrument for their terminals, rather than access to an international payment system such as Visa.

According to Mr Bob Woodman, director of the Retail Consortium, which represents UK retailers on issues such as negotiations over banking and credit card services, there are several retailer groups who would like to be free to take debit cards only rather than to have to honour all cards carrying a particular branding such as Visa.

Mr Woodman regrets that the recent Monopolies and Mergers Commission report on the credit card industry did not recommend the scrapping of the "honour all cards" rule. He describes as "gross abuses" efforts by banks to get retailers to accept these new card products on the same terms as for the older generation of credit cards.

In West Germany the battle between banks and retailers has become even more bogged down in pricing issues. Because the German banks invented in the late 1960s a highly secure payment mechanism – the Eurocheque – for which retailers do not pay commission, it is difficult to get them to accept new electronic methods for which they pay a commission.

If the Eurocheque plastic card goes down the same route as the Switch cards in the UK, retailers will have to pay a fee but it is likely to be low. GZS (Gesellschaft für Zahlungssysteme), the inter-bank payment organisation, says it is discussing retailer's proposals to pay 0.2 per cent and a flat fee of 7 Pfennigs (about two pence) per transaction.

Progress towards electronic funds transfer is going more slowly than the banks would like. Until recently plastic cards have been frowned on by the German banks and German retailers are much less accustomed to taking plastic cards. Eurocard, the dominant German credit card branding, has only 115,000 retail outlets, compared to over 300,000 for Access and Visa in the UK.

On the other hand, neighbouring Denmark has an EFTPOS system in some respects in advance of the UK. With retailers increasingly conscious of the need to harmonise standards and systems across the Community, some plastic card specialists predict that Switch and some of the other European electronic payments cards will forge links.

If that happens, it will be a serious blow for Visa and MasterCard and the banks which back them.

Counter attraction . . . EPOS terminal quickens service

Shops pine for long-term relationships with fickle customers

No substitute for value for money

THERE IS no really successful substitute in retailing for offering customers the goods they want, at the price they want to pay, through the channel they find most convenient or enjoyable.

All attempts to attract and retain customers boil down to meeting their desires in one form or another. When consumer spending is buoyant, shoppers may be prepared to fall for marketing gimmicks. But where the squeeze is biting, as in the UK, customers look for the traditional, solid virtues of price, value for money and service.

The aim of all retailers is not simply to make one sale, but to keep customers coming back – customer loyalty is one of the most important aspects of the business. But customers are notoriously "promiscuous" – for them it is a simple matter to switch their patronage from one shop to another. Far more than most industries retailer's can change to another supplier with out any penalties.

Ham-fisted attempts at persuasion, says Mr Crispin Tweddell, head of Piper Trust, a retail consultancy and venture capital group, are quickly spotted by customers, and "persuasion does not endear them, nor does it build loyalty." Instead, he says, retailers need to build a long-term relationship of trust.

The "price pledge", typified by the well-established and brilliant marketing idea of the John Lewis department stores' "never knowingly undersold" guarantee, has been taken up by many others.

The promise to refund the difference in price to a customer who after buying something spots the same goods elsewhere at a lower price, is often sufficient to prevent a customer from bothering to compare prices. Most customers cannot be bothered to go round half a dozen stores comparing prices, but look for a shop where they believe they will get the best deal.

Counter attraction . . . in-house credit cards nurture loyalties

An extension to the price promise ploy, is the discount for loyalty card introduced by B&Q, the leader in the fiercely competitive do-it-yourself market. This discount card was launched before Easter this year. Customers who pay £25 for the card are then entitled to 10 per cent off all their purchases for a year, and even greater discounts at some peak weekends. Once bought, the cardholder has a clear incentive to return to B&Q rather than go to another DIY retailer.

Other methods of offering something special for regular customers can be channelled through stores' in-house credit or charge cards. Marks and Spencer, for instance, regularly invites its chargecard holders to shopping evenings, when customers can buy goods in calmer surroundings and enjoy a glass of wine at the same time.

But low prices or special offers are not in themselves enough to keep customers coming back. Retailers need to differentiate themselves from their rivals, so that shoppers have a clear reason for going to a particular store.

Offering a good range of products is one way shops can differentiate themselves. Mr David Clipsham, head of the specialist shops division of the W H Smith group, which includes chains such as Our Price music, Paperchase, the stationery group, and the Sherratt & Hughes and Waterstone's book shops, suggests that these shops attract customers who can be certain of finding a wide range of goods to choose between.

The quality of the products on offer is just as important as the price. Price on its own is not sufficient, customers must be persuaded of value for money as well.

Service is another platform from which retailers are attempting to appeal to customers. However, Mr Tweddell warns, service must be genuine and not of the cynical "have a nice day" variety. "Customers are pretty darn savvy," he says, "they are not fooled by 'customer care' programmes."

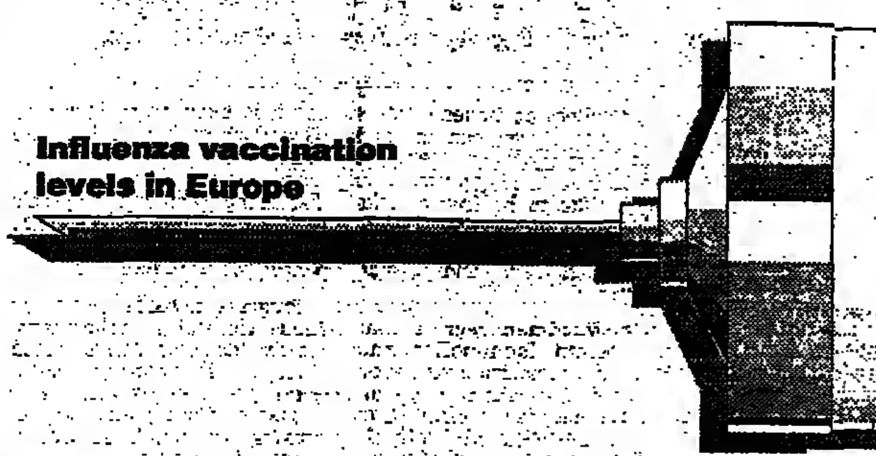
Retailers can also differentiate themselves by the location of the shop – such as a convenient supermarket which complements a larger superstore some distance away. Or by selling through home shopping catalogues.

N Brown, for example, is a mail order company which has found and developed a niche in selling clothes to larger women who may not want to go into a shop to try a dress on, but are happy to buy if they can try it on at home.

Maggie Urry

TECHNOLOGY

As the flu season approaches, **Rachel Johnson** looks at the cost of protecting people from the virus and whether employers can benefit from offering jabs to their staff



Influenza vaccination levels in Europe

1988	Inhabitants (m)	High risk numbers (m)	Vaccinated % of total population	% of risk group
France	55.8	11.2	11.1	55.4
Belgium	9.8	2.0	7.1	35.0
Neths.	14.7	2.9	5.4	27.6
England	56.0	11.2	5.0	25.0
Switz.	6.5	1.3	4.6	23.1
Italy	57.5	11.5	4.5	22.6
W.Germany	61.1	12.2	3.8	18.9
Portugal	10.0	2.0	1.0	5.0

No assurances from a shot in the arm

Doctors can say with some certainty that flu jabs start with the egg and not the chicken, because the vaccine is grown there. But they cannot assure their patients that baring their arms to the needle this autumn will avert a bout of flu.

Industry and the health service have a close interest in the matter. Vaccinations have to be carried out before the flu season begins in November. Those who succumb to the virus can expect to spend up to two weeks in bed, and six more feeling under par.

The virus incurs heavy costs in terms of lost working days and the treatment of serious cases. Flu claims a big part of the sickness benefit budget in the UK, with claims ranging from 6m days a year to 26m in a bad year.

Even though there has not been an epidemic in the UK since 1976, a non-epidemic year such as 1988 can take a heavy toll too. Over Christmas, severe outbreaks of flu depleted ranks of postal workers to such an extent that the Christmas mail was threatened. Almost half the 400 workers at the Romford office fell ill and post had to be diverted to Liverpool, 250 miles away.

About one in eight sufferers will require antibiotics for secondary infections in the chest, which cost the NHS £7 a course. In hospitals, whole wards can be taken up by patients with flu complications during an epidemic (more than 100 cases per 100,000 population).

Preventing this expensive and debilitating disease starts with eggs, the biotechnologist's perfect medium. Isolated from maternal influences, eggs can be handled rapidly and in bulk by automated equipment. The cells of the chicken embryo host the replicating virus for three to four weeks, making it possible to produce the large quantities of vaccines.

Manufacturers, however, cannot start growing their vaccines until the World Health Organisation has made its spring selection of the three strains of flu most likely to be circulating in the winter. It cannot sell them until the health department has checked them and issued a product licence.

The vaccine has to be tailored every year, partly because the mix of viruses changes and partly because individual viruses sometimes change their spots in a process called antigenic shift or drift.

Aficionados of the virus may wish to know that this autumn's highlights are likely to be the Shanghai, Singapore and Yamagata strains. We know this because laboratories in 100 countries contributed samples to two main disease control centres in London and Atlanta, Georgia. The WHO analysed the samples' foreign invading organisms — antigens — and announced the three prevalent strains. The three strains are grown in separate eggs and then mixed together, so that people need only one shot.

The Singapore strain is particularly nasty. Last year the public health laboratory in North London attributed the virulence of outbreaks to this strain, which reared its ugly head after more than 20 years.

It is a fiendish virus to pin down, says the Influenza Monitoring and Information Bureau (Imib), which is funded by three manufacturers: Servier and Merieux, both French, and the Dutch Duphar. Strains change in a similar way in different parts of the world and, even more mysteriously, new strains sweep around the world at the same rate as they did before air travel became commonplace.

The World Influenza Centre in London cannot say why a strain re-emerges to wreak havoc after years of dormancy. However, those born before the last outbreak of a strain will have natural immunity to it if they were exposed to it.

But all this does not answer the question which many people will be asking this month: whether to have the jab or not. Employers who offer free doses might consider whether they are getting value for money.

Companies anxious to avoid losing productivity to the virus, such as Marks and Spencer and Coopers and Lybrand, order straight from the manufacturer and pay about £5 a dose. Servier will not say how much it costs to make the vaccines, nor how much money the company made by selling the doses. But John Roberts, the company's product manager, says drugs companies make "less than the public imagines" out of flu vaccines.

Whether companies have spent their money wisely is difficult to tell. The results of trials have been inconclusive. A 1984 study involving Post Office workers showed that there was no difference in the incidence of flu and working days lost between vaccinated and unvaccinated employees.

Against this poor result Imib sets that of a 1982-1983 trial in a New York home for the elderly. Respiratory illness was "significantly more common" in the unvaccinated group.

The Government maintains a detached attitude to the question. In mid-September, the Department of Health will write to GPs, reminding them that the vaccines can be given free of charge to the elderly and others in "at risk" groups.

It also urges boarding schools and other closed communities, such as army camps, to consider the vaccination — though it refrains from making a positive recommendation. Christina Murphy, from the Department of Health, says this is because it is impossible to "second guess" the strains accurately enough, despite worldwide monitoring and research. Viruses which cause the epidemics tend to originate in animals and therefore take the human immune system by surprise.

So the official policy is not to attempt to control the spread of the disease by vaccination, but to maximise protection of those at risk of complications following flu infection.

The at-risk groups are the elderly, especially those with chronic lung, heart or kidney disease; health service staff in contact with infected patients; diabetics and those with endocrine (hormonal) disorders. Pregnant women and those allergic to eggs should also not have a jab.

Although the UK has just as much flu as other European countries, its citizens have fewer flu jabs than most. Imib says this is because manufacturers are not allowed to advertise in the UK. In France, where they are, the take-up rate is higher. In the US, where they are as well, the vaccine is promoted in supermarkets.

The public perception of flu jabs is that they have only a patchy effectiveness. People still worry that jabs stimulate a "mild dose" of flu before immunity, but the only possible side effect is a sore arm. And there is no such thing as a mild dose of flu. It is an "extremely unpleasant illness," Imib says.

Dr Alexander McNair, adviser to Imib, says demand for the vaccine has fallen, partly because there has not been a major outbreak for 13 years. The worst flu pandemics were during the Boer War and the First World War, when young men from isolated rural communities were suddenly thrust into close quarters and exposed to the virus.

With no world wars looming, nor epidemics predicted, we are likely to see flu jabs aimed primarily at the at-risk groups. Manufacturers sold only between 2m and 2.5m doses in the UK last year, but are hoping to sell them to an increasing number of the estimated 10m in the at-risk groups.

WORTH WATCHING

Edited by Della Bradshaw

Hunt for the ceramic tusk

THE DAYS of the ivory poacher could be numbered, not just because of the clampdown on elephant hunters but because of technological moves to produce artificial ivory.

Researchers at the University of Nottingham, in the UK, are developing an alternative to the elephant tusk using bio-ceramics. The material is based on those used for artificial limbs and could appear in anything from piano keys to jewellery.

Researchers believe ceramics more closely resemble ivory than plastics, which are typically used to replace the natural material. Like ivory, ceramics are porous and good thermal conductors — particularly attractive for pianists, as they absorb sweat and are cool to touch even during prestissimo performances.

The university is looking for further funding.

Data sent via the mains

THE MAINS can be used for transmitting more than just electric power. Computer data can also be sent along them.

Verran Electronics, of Basingstoke, has developed a system which allows data to be transmitted from, say, two or three personal computers to a printer simply by plugging the units into the ordinary wall sockets.

The AC Datalink translates the computer data into an FM signal which can survive the hostile environment of the mains wiring system. The device scrambles the data for security and then decides on the size of package of information for transmission. If the mains are "noisy", the data will be put into small packages, if not, large ones will suffice.

The system continues to send each package until the receiving device reports that it has arrived intact. The data is transmitted at up to 16 kbits of information per second — a tightly packed A4 page would take about two and a half seconds.

The system costs £175 per item connected to the mains.

Lenses without fuzzy edges

PEOPLE who wear glasses will welcome a new type of lens that eliminates fuzziness from the edges of their field of vision.

The aspherical lenses achieve this near-perfect vision by making the curvature of the lens steeper in the centre than at the edge.

Hoya, of Japan, has begun marketing aspherical lenses in Japan and Europe. They are made from a new type of plastic which makes the lens more powerful. As a result, a much thinner and lighter lens is needed to correct sight defects.

An added bonus of the Hoya-Lux lens is that it has a chemical coating which makes it resistant to scratches.

Bright move in light meters

A LARGE computerised light meter, to help measure the output of electric lamps and fittings, has been developed for industrial lighting manufacturer F. W. Thorpe, of Redditch, writes Clive Cookson.

The goniophotometer, as it is called, could be used to measure light output in both the development phase of a new light fitting or in the final quality control process.

Developed by PERA, the UK contract research organisation, the 24 ft high machine rotates so that it can measure the light intensity from a lamp or light fitment up to 35 ft away in any direction. A typical test, requiring 2,000 readings, can be completed in two or three hours, rather than the two days required by its manual equivalent.

The machine includes two mirrors made of 6 mm float glass on a light aluminium honeycomb support. The mirrors reflect the light so that it can be measured by the selenium photocell, developed by Megatron of London.

As a safety feature, a fibre-optic bumper is attached to the machine. If anyone touches it, the light signals travelling along the glass fibres are interrupted and the machine stops.

Data broadcast in Australia

FOLLOWERS of the Australian Stock Market (ASX) will soon be able to receive up-to-the-minute share information, be they in Sydney or Alice Springs.

ASX is turning to broadcast technology to ensure that its information can be distributed nationwide. Until now the data has been sent over telephone lines and limited to 1,400 subscribers in Sydney and Melbourne.

The broadcast system, developed in the UK by Intocast, a subsidiary of Citicorp, should be in operation by the middle of next year. It will make use of the vertical blanking interval (VBI) on the ABC television network. (The VBI is the space between the frames of the television picture into which parcels of data can be squeezed.)

To receive the information, subscribers will need to install a television aerial or satellite dish and a terminal incorporating the box of tricks needed to decipher the broadcast signal.

The automatic flush

THE LATEST high-tech convenience to sweep the US is the self-flushing lavatory.

The lavatory is operated by an infra-red beam. When in use, the body of the person breaks the beam, but when he or she moves away, the restoration of the beam triggers a switch. That in turn sends an electronic pulse to the toilet valve, activating the flush.

Developed by the Sloan Valve Company, of Franklin Park, Illinois, the loos are already installed in several airports.

CONTACT: University of Nottingham: UK, 0602 484848. Intocast: London, 434 1333. Hoya: Japan, 3 952 1151; Netherlands: 2975 45777. PERA: UK, 0664 501501. Verran Electronics: UK, 0256 816555. Sloan Valve Company: US, 312 671 4300.

COMMODITIES AND AGRICULTURE

Big rises in LME stocks drive metal prices lower

By David Blackwell

BASE METAL prices fell across the board on the London Metal Exchange as stocks rose sharply.

Cash nickel, which shed more than $1,000 a tonne last week, suffered the steepest fall, tumbling another $800 to $10,525 a tonne. This is equivalent to $4.77 a lb – well below the psychologically important $5 a lb level – and followed a rise of more than 50 per cent in LME warehouse stocks to 4,248 tonnes.

The cash price for special high grade zinc moved to a discount against three months metal for the first time since March as LME warehouse stocks rose sharply for the second week running.

Cash metal closed down $68 at $1,579.50 a tonne – $4 off the three-month price. A week ago stocks rose by 6,675 tonnes to 58,275 tonnes – the highest level since July 1984. Yesterday they leapt by 10,350 tonnes to 68,625 tonnes.

Aluminium stocks in LME warehouses fell by just over 2,000 tonnes yesterday, but the news was cancelled out by figures from the International Primary Aluminium Institute. These showed a rise of 107,000 tonnes in unwrought aluminium stocks in the non-Communist world to 3.305m tonnes for July – the highest level since May 1987.

Mr Nick Moore, metals analyst with Ord Minnett, the London securities house, described the fall in nickel prices as a rout, and said the decline had been pervasive throughout the LME markets.

"Everybody has been waiting for the first sign of fourth quarter consumer demand – but so far it hasn't come through. Unless it does, these prices are just going to slip slide away," he said yesterday.

He believed there was plenty of potential for a fall, pointing out that copper prices had declined sharply even though Bougainville in Papua New Guinea was still shut by political violence and Highland Valley in British Columbia was still on strike. News that miners at Salvador in Chile narrowly voted to stay on strike at the weekend was ignored by the market.

Mr Neil Buxton, analyst with Shearson Lehman Hutton's London metals team, said the stock increases had been by far the biggest factor pushing prices down.

He thought that production of stainless steel, the rise in which has been the principal factor behind high nickel prices, was coming off its peak, and stainless steel stocks are now high.

Mr John Harris of Rudolph Wolff, the London trade house, said that high zinc prices had attracted deliveries into LME warehouses.

He believed that while demand from the galvanising industry was strong, the high prices had led to substitution in other markets, and this was now beginning to show in the rising stock levels.

LME WAREHOUSE STOCKS (Change during week ended last Friday) tonnes

Aluminium	–2,200 to 93,625
Copper	+4,800 to 87,675
Lead	+4,625 to 32,100
Nickel	+1,426 to 4,248
Zinc	+10,350 to 68,625
Tin	+450 to 3,900

Brazil denies plan to join tin group

By John Barham in Sao Paulo

BRAZILIAN FOREIGN Ministry officials yesterday denied reports that the country would seek full membership of the Association of Tin Producing Countries at its annual conference, to be held in Bangkok next month.

Mr Licio Paim, a foreign ministry official, said "every year on the eve of the annual conference, the Asiatic countries insist on Brazil becoming a member," but that this has been repeatedly avoided.

Discoveries of major tin deposits in the Amazon have transformed Brazil from a marginal producer into the world's leading tin producer, with annual production of 44,000 tonnes. But the country has chosen not to seek full membership of the ATPC cartel.

Brazil, together with China, another major tin producer, has observer status at the ATPC. Mr Paim pointed out that observer status "has not prevented Brazil from collaborating strongly to shore up prices and Brazil has been acting as if it were a full member" of the ATPC.

This year, the association awarded Brazil a 31,500 tonne export quota, 7 per cent more than in 1988. However, the Foreign Ministry said that it merely represented the interests of private mining companies at ATPC meetings. The companies have opposed upgrading Brazil's observer status.

Soviet sale will cut US butter 'mountain'

By Nancy Dunne in Washington

AN $80.9m US sale of surplus government-owned butter to the Soviet Union announced at the weekend will wipe out about one-third of the slowly-mounting US butter stockpile.

A large component of the 110m pound sale was government subsidies. The butter was priced at about 73.5 cents a pound, while the Government now pays about $1.21 a pound under its domestic price support programme.

Mr Peter Vitalino, director of policy analysis at the National Milk Producers Federation, said additional sales to the Soviets might be possible, although some of the remaining surplus could go to Poland and other food aid recipients.

Lower US milk price supports – now $10.60 a hundredweight – over the past few years have been reducing prices and spurring exports.

UK rapeseed area seen rising

By John Buckley

UK FARMERS are likely to increase rapeseed plantings for next year by 25 per cent to a record 400,000 hectares, according to an estimate based on seed sales by Dalgety Agriculture.

Farmers, who sow the crop from late August through September, were responding to a surge in open market prices this season after the recently harvested 1989 crop fell for the second year running, said Mr Andrew Barnard, Dalgety's crop marketing manager. The current harvest was likely to total only 850,000 tonnes, compared with 1.03m tonnes last year and nearly 1.3m tonnes in 1987.

The UK crushed 1.17m tonnes last year and would need to import heavily to fill capacity, which had expanded to about 1.4m tonnes.

The oil produced from rapeseed is used for cooking, margarine and the preparation of many manufactured foods, while the meal from crushing has been steadily expanding outlets in animal feed in recent years.

The UK situation now is the reverse of that which existed last year, when a £60 decline in the previous season's prices prompted farmers to cut sowings.

The trend is mirrored across Europe, where the total crop has dropped from 5.2m to 4.9m tonnes compared with crush capacity of between 5.5m and 6m tonnes. Traders have been urgently buying up rapeseed from Poland which is thought to have a 300,000 to 400,000 tonne surplus.

The smaller crop and current rapeseed input prices some £70 up on last year's are only part of the problem facing crushing industries, however. Oil content of this year's crop seed has dropped to an estimated 41.5 per cent from last year's 43 to 44 per cent, while the extraction rate from new, smaller varieties of seed has also fallen, further reducing its real value.

Drought and pests hit hop harvest

By Bridget Bloom, Agriculture Correspondent

BRITAIN'S HOP harvest this year is expected to be under 5,000 tonnes partly because of the drought in the south east and partly because of infestations of red spider mite, a pest endemic to the crop.

According to English Hops Ltd, which represents about 60 per cent of the country's 270 growers, the total harvest is expected to be about 4,900 tonnes, roughly equivalent to that of 1988, itself the third year running with low yields.

Mr Ben Wright, in charge of EHL's liaison with growers, attributes the relatively poor harvest – now about 60 per cent complete – primarily to the drought in Kent, in south east England. Yields in midland areas are reported higher.

However, the drought conditions have encouraged the spread of red spider mite which has proved difficult to eliminate since Plictran, a chemical spray used to kill the pest, has been unavailable since June following a banning order from the Ministry of Agriculture.

Despite ministry recommendations, growers have not yet found an effective substitute, EHL says.

The area under hops in Britain has declined markedly over the last decade while production of the hop – used to impart flavour and aroma to beers of all sorts – has halved.

Among the reasons for the decline is a shift in consumption to lager type beers, which use fewer hops, and changes in technology which make the hops used in brewing go further.

Australia to fight Gulf sheep scare

By Tony Walker in Abu Dhabi

THE AUSTRALIAN Meat and Livestock Corporation will this week launch a publicity campaign to contradict highly damaging articles that have appeared recently in Gulf newspapers suggesting that allegedly diseased Australian sheep are a threat to pregnant women and the camel population of the Arabian peninsula.

Mr John Wotton of the corporation's Bahrain office said yesterday that a press release would be distributed to local newspapers and to news wire services to answer specifically an "alarmist" article at the weekend in al Khaleej, an Arabic newspaper, published in the United Arab Emirates.

The al Khaleej article, which suggested that pregnant women would be at risk if they ate Australian meat was perhaps the most extreme in a series that have appeared in newspapers around the Gulf that have seriously harmed consumer confidence in Australian food products.

Mr Wotton said the corporation had decided to step up its efforts to counter the rash of bad publicity after indications that consumers were starting to boycott Australian meat. The AMLC spends about A$2m (£990,000) a year on advertising in the Gulf.

Meanwhile, it was reported today that Gulf Co-operation Council officials would meet in Riyadh next month to discuss a common approach on Australian sheep imports.

"The meeting will consider a joint strategy towards live animal imports from Australia and other countries," an official at the United Arab Emirates' Agriculture and Fisheries Ministry was quoted as saying.

The council is the umbrella organisation for six Arabian peninsula states who are among the biggest importers of Australian live sheep. The regional grouping is dominated by Saudi Arabia.

Controversy flared over Australia's lucrative A$230m-a-year live sheep trade to the Middle East in July when Saudi Arabia began rejecting shipments on the the grounds that the animals were diseased.

Australie has strongly denied the Saudi claims, but the issue is proving very difficult to resolve. Pressure from Saudi sheep producers, who want to reduce competition, is reported to be one of the main factors in blocking a resolution.

An Australian official in the Gulf today welcomed news that the GCC was to discuss the vexed live sheep issue. He said that indications that the council was seeking to adopt a common policy on the question was a promising development.

Australia exports more than 6m live sheep to the Middle East annually, almost all of them to the Gulf. A continuation of the dispute could have disastrous consequences for sheep markets in Australia itself.

Arab consumers boycott Australian meat

Tony Walker on a crisis of confidence threatening a lucrative trade

"WE HAVE a very, very big problem with this meat," declared Azzam Hassan al Bayd, standing in his coolstore full of unsold carcasses of Australian sheep.

Meanwhile, at the counter of Mr al Bayd's butcher's shop in a large Abu Dhabi supermarket business was very slow. Customers were purchasing Dutch beef, but they were steering clear of mounds of Australian lamb chops and mutton.

A Lebanese housewife, said she was feeding her family chicken and fish for the time being until she was satisfied that Australian meat was safe. "Before I always bought Australian meat," she said, "but now because I am reading the news I am not buying."

Consumers in Gulf states are deserting Australian meat products in droves following an avalanche of adverse publicity in the local press about the dangers of allegedly diseased imported live sheep.

The al Bayd butchery, one of 15 owned by the family, was selling each day at least 150 sheep imported chilled from Australia before both Saudi Arabia and Abu Dhabi refused shipments of live sheep on the grounds that these animals were disease carriers. Now sales have been reduced by more than half as consumers shy away from all Australian meat.

When Australia last month was left with little choice but to suspend exports of live sheep to Saudi Arabia, it meant that by far the world's biggest market for Australian livestock was effectively closed. Saudi Arabia has been importing about 3.5m Australian sheep out of total annual exports of 7m.

At risk is not only the lucrative live sheep trade to the Gulf worth A230m (£114m) annually, but also shipments of chilled meat that earns about A90m a year. Australia's entire meat trade to the Middle East, a cornerstone of the domestic industry, is now under threat.

Australian officials refuse to comment on the exact reasons for the Saudi decision effectively to "black" live sheep from Australia by claiming they were diseased. But one of the factors was reported to be pressure from local Saudi Arabian sheep producers who were having difficulty competing with lower-priced Australian sheep.

If the aim of the Saudis was to encourage a strengthening of local sheep prices by excluding the Australian product, for whatever reasons, then they have succeeded almost certainly beyond their expectations. Saudi sheep prices have almost doubled in the past two weeks.

Australian officials, who strenuously deny suggestions that any of the live sheep were carrying the viruses alleged by the Saudis and Abu Dhabians, namely bluetongue, sheep pox and brucellosis, are yet to receive results of tests supposedly carried out by Saudi Arabia inspectors. This is in spite of repeated requests for these details to be made available under an international convention – to which both countries are signatories – that provides for the sharing of information about infections in animals.

Australian Live Sheep Shipments to the Middle East in 1988-89 ('000 tonnes)	
Saudi Arabia	3,000
Kuwait	1,500
UAE	750
Qatar	600
Bahrain	400
Total Value*	A$230m

*Including lesser numbers to Oman and North and South Yemen. Source: Australian Meat and Livestock Corporation

The official Saudi Arabian press in the past week has pointedly praised the country's veterinary testing capabilities, but experts in the region are sceptical about standards. Likewise, reservations are also being expressed about the reliability of Abu Dhabi's testing methods.

The Australian strategy has been to avoid confronting too directly claims that the sheep were diseased in the hope that the issue could be resolved amicably, but there are signs that the Government is becoming increasingly frustrated over the whole affair.

Mr John Kerin, the Minister of Primary Industries and Energy, has written twice to his Saudi counterpart, Dr Abdul Rahman Ibn Hassan al Sheikh, asking for the ban on Australian sheep to be lifted. Mr Michael Duffy, the Trade Minister, has also weighed in with a letter to the Saudi Minister of Commerce who visited Canberra earlier this year for a meeting of the joint Saudi Arabian-Australian commission.

It is perhaps hard to believe, but the responsible Saudi Minister of Agriculture has been away on holiday for most of the controversy, and, it seems, no-one under him has sufficient authority to deal with the issues involved.

Australian officials, unsurprisingly, are puzzled, perplexed and sometimes dismayed over the course that events have taken.

As one official said: "This has not just damaged our reputation here as reliable suppliers, it has harmed our whole international reputation."

Local importers say that it will be extremely difficult for Gulf states to replace Australian live sheep with breeds from other countries.

The Gulf states also import live sheep from Rumania and Bulgaria, and New Zealand is now seeking to increase its exports to fill the potential gap, but these countries do not have sufficient numbers to satisfy the Middle East market all the year round.

"Australian sheep would be very hard to replace," said Mr Mohammed Shaban of the National Trading Company for Meat, Sheep and Foodstuffs in Abu Dhabi. "It would take a lot of time. As well, people have got used to Australian meat."

Mr Shaban, whose company is the biggest importer of both Australian chilled meat and livestock in the United Arab Emirates, said that for the time being he was reducing imports, but he expected the dispute to be resolved fairly soon.

Meanwhile, the Australian Meat and Livestock Corporation in Bahrain is planning a publicity campaign to counter highly adverse reports in the local press about the dangers of eating contaminated Australian meat. But it seems that unless the authorities give Australian sheep shipments a clean bill of health an advertising campaign would be of limited value.

The issue of "face", or national pride, has unfortunately intruded itself into the dispute and will almost certainly make the issue more difficult to resolve. Neither the Saudis nor the Abu Dhabians are likely to take kindly to suggestions that their veterinary testing procedures are not up to the highest international standards.

Australian complaints about these procedures are probably counter-productive. But the dilemma for the Australian Government is whether it can afford to allow the dispute to drift on without a stronger representation, and perhaps an urgent visit to the region by the Minister of Primary Industries himself.

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices firmed yesterday on shortcovering and a break through mild resistance at £817 a tonne. But trading was subdued as the International Cocoa Organisation (ICCO) met in London to discuss the future of the international agreement. Traders, however, do not expect much to emerge from this week's talks. Consumer countries are waiting for producers to make a proposal to save the pact, which has been frozen since February last year and has only a year to run. The Ivory Coast, the world's biggest producer, and the Cocoa Producers Alliance are said to have reached a common position. Coffee prices were steady, but traders said market sentiment was uncertain and was likely to remain so until the International Coffee Organisation meeting at the end of the month.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$15.70-5.80w	+.125
Brent Blend	$17.88-7.98w	+0.12
W.T.I. (1 pm est)	$19.79-9.84w	+0.19
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$204-206	+½
Gas Oil	$166-168	-1½
Heavy Fuel Oil	$85-87	+½
Naphtha	$155-157	-½
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$358.75	-1.25
Silver (per troy oz)♣	507c	-6
Platinum (per troy oz)	$471.9	-2.7
Palladium (per troy oz)	$134.85	-0.15
Aluminium (free market)	$1690	-45
Copper (US Producer)	131⅝-136c	
Lead (US Producer)	40.5c	
Nickel (free market)	480c	-45
Tin (Kuala Lumpur market)	23.20r	+0.04
Tin (New York)	399.5c	-3
Zinc (US Prime Western)	83¼c	
Cattle (live weight)†	117.47p	-1.52*
Sheep (dead weight)†	142.22p	-8.77*
Pigs (live weight)†	105.67p	+7.73*
London daily sugar (raw)	$333.8v	-1.2
London daily sugar (white)	$429v	+1
Tate and Lyle export price	£331	
Barley (English feed)	£106.25	+0.25
Maize (US No. 3 yellow)	£125	
Wheat (US Dark Northern)	£126.5t	
Rubber (spot)♥	60.00p	
Rubber (Oct)♥	63.00p	
Rubber (Nov)♥	63.75p	
Rubber (KL RSS No 1 Oct)	238m	+1
Coconut oil (Philippines)§	$492.5v	
Palm Oil (Malaysian)§	$320	
Copra (Philippines)§	$295	
Soyabeans (US)	£180	+3
Cotton "A" index	81.40c	-0.25
Wooltops (64s Super)	600p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Oct/Nov. x-Oct/Dec. t-Aug/Sep. v-Sep/Oct. w-Oct. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA – London FOX £/tonne

	Close	Previous	High/Low	
Sep	769	752	770	761
Dec	824	808	827	813
Mar	788	774	792	781
May	795	783	800	790
Jul	811	796	812	805
Sep	825	819	828	
Dec	850	837	850	845

Turnover: 2784 (5581) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Sep 8 920.07 (927.43) :10 day average for Sep 11 941.04 (941.85)

COFFEE – London FOX £/tonne

	Close	Previous	High/Low	
Sep	800	805	807	800
Nov	822	822	832	819
Jan	828	826	833	825
Mar	845	838	849	838
May	867	867	867	860
Jul	867	863	865	
Sep	910	910	907	900

Turnover: 3065 (4903) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Sep 8 : Comp. daily 72.70 (71.22). 15 day average 69.87 (69.45)

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low	
Oct	296.80	299.60	299.80	296.60
Dec	293.00	294.60	293.00	
Mar	284.80	286.40	287.00	286.60
May	279.60	281.00	281.40	279.00
Aug	275.80	276.00	276.00	275.00
Oct	269.00	269.00	269.00	
White	**Close**	**Previous**	**High/Low**	
Oct	415.00	413.50	417.00	415.00
Dec	385.00	389.00	388.00	387.00
Mar	361.00	363.00	362.50	360.50
May	357.60	359.80	359.00	358.00

Turnover: Raw 4806 (4190) lots of 50 tonnes. White 1732 (846).
Paris- White (FFr per tonne): Oct 2790, Dec 2604, Mar 2444, May 2424, Aug 2385, Oct 2365.

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low	
Nov	17.73	17.52	17.75	17.57
Dec	17.65	17.39	17.00	17.45
IPE Index	17.78	17.70		

Turnover: 4095 (7499)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low	
Oct	166.25	165.00	167.75	164.75
Nov	165.00	162.75	166.00	163.25
Dec	164.00	162.50	164.50	162.50
Jan	162.00	160.50	162.50	160.75
Feb	158.75	158.00	158.00	

Turnover 8027 (9415) lots of 100 tonnes

TEA

There were 20,926 packages on offer including 1,800 offshore, reports the Tea Brokers Association. Offerings of Assam teas met good demand with quality sorts selling readily and plainer liquoring descriptions very firm. Good mediums tended irregular. Africans again attracted widespread support and often advanced by 10p-15p per kilo. Ceylons met good competition at 5p-10p above last levels. In the offshore auction Bangladesh teas proved dearer and Africans a strong market at prices fully firm to 10p dearer. Quotations: quality 185p (195p), medium 134p (124p), low medium 110p (100p).

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,650 tonne
Cash	1689-93	1713-5		1687-90		
3 months	1685-8	1707-8	1705/1680	1685-6	1686-90	30,759 lots
Copper, Grade A (£ per tonne)						Ring turnover 41,225 tonne
Cash	1818-20	1868-70	1830/1827	1829-30		
3 months	1810-1	1849-51	1820/1809	1815-6	1812-3	71,471 lots
Lead (£ per tonne)						Ring turnover 4,900 tonne
Cash	448-50	453.5-5.5	449.8	449-9.5		
3 months	443-4	446-7	447/443	444.5-5	443-4	11,644 lots
Nickel ($ per tonne)						Ring turnover 615 tonne
Cash	10500-50	11300-50	10425/10400	10400-25		
3 months	10350-400	11025-50	10600/10200	10400-25	10250-300	5,312 lots
Tin ($ per tonne)						Ring turnover 465 tonne
Cash	8600-20	8700-10		8600-20		
3 months	8640-60	8740-50	8700/8650	8650-700	8620-40	5,438 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 16,975 tonne
Cash	1577-82	1645-50	1580	1575-80		
3 months	1582-5	1628-30	1615/1575	1574-6	1585-85	12,622 lots
Zinc ($ per tonne)						Ring turnover 5,000 tonne
Cash	1540-50	1590-600		1545-50		
3 months	1530-5	1565-75	1540/1530	1530-2	1535-45	5,899 lots

LME Closing £/$ rate: SPOT: 1.5435 3 months: 1.5251 6 months: 1.5057 9 months: 1.4886

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	358½-359	232¼-232¾
Opening	357½-358	232½-233
Morning fix	358.1	232.382
Afternoon fix	358.35	232.393
Day's high	359-359½	
Day's low	357½-358	
Coins	**$ price**	**£ equivalent**
Mapleleaf	367-372	237½-240½
Britannia	367-372	237½-240½
US Eagle	367-372	237½-240½
Angel	368½-373½	238½-241¾
Krugerrand	357-360	231-233
New Sov.	84¼-85¼	54½-55¼
Old Sov.	84¼-85¼	54½-55¼
Noble Plat	477.55-485.15	309.5-314.4
Silver fix	**p/fine oz**	**US cts equiv**
Spot	328.00	507.00
3 months	340.10	518.15
6 months	351.50	529.55
12 months	373.85	552.25

POTATOES – BFE £/tonne

	Close	Previous	High/Low	
Nov	140.0	139.0	140.0	139.5
Feb	170.0	162.0		
Apr	219.5	214.5	219.5	217.0
May	245.0	239.0	242.8	

Turnover 405 (178) lots of 40 tonnes.

SOYABEAN MEAL – BFE £/tonne

	Close	Previous	High/Low	
Oct	148.50	144.00	145.00	143.00
Dec	148.00	145.00	145.00	
Feb	151.00	149.00	148.00	

Turnover 15 (100) lots of 20 tonnes.

FREIGHT FUTURES – BFE $10/index point

	Close	Previous	High/Low	
Sep	1469	1462	1465	1465
Oct	1546	1541	1546	1540
Jan	1592	1591	1595	1590
Apr	1623	1623	1621	1615
BFI	1441	1437		

Turnover 83 (81)

GRAINS – BFE £/tonne

Wheat	Close	Previous	High/Low	
Sep	104.50	104.40	104.50	
Nov	107.20	107.85	107.85	107.20
Jan	111.20	111.60	111.20	
Mar	114.00	114.50	114.50	114.00
May	116.90	117.30	117.20	116.90
Jun	118.35	118.70		
Barley	**Close**	**Previous**	**High/Low**	
Sep	101.25	101.15	101.25	
Nov	104.25	104.60	104.70	104.25
Jan	108.35	108.70	108.80	108.35
Mar	111.40	111.70	111.70	111.40

Turnover: Wheat 159 (214), Barley 134 (93). Turnover lots of 100 tonnes.

PIGS – BFE (Cash Settlement) p/kg

	Close	Previous	High/Low
Oct	127.8	126.8	128.5
Nov	129.5	128.0	128.3
Feb	118.5	117.8	118.9
Apr	117.5	116.9	117.5
Jun	115.0	114.3	114.5

Turnover 44 (309) lots of 3,250 kg

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Nov	Jan	Nov	Jan
1800	107	102	12	36
1700	44	61	46	82
1600	13	22	110	150
Copper (Grade A)	**Calls**		**Puts**	
2650	188	164	58	126
2750	129	120	96	178
2850	84	85	149	240
Coffee	**Nov**	**Jan**	**Nov**	**Jan**
750	86	-	16	-
800	53	86	33	58
850	29	63	50	85
Cocoa	**Dec**	**Mar**	**Dec**	**Mar**
750	64	80	12	42
800	50	55	28	67
850	27	39	56	101
Brent Crude	**Nov**	**Dec**	**Nov**	**Dec**
1700	93	-	20	41
1750	66	67	35	62
1800	33	44	51	-

US MARKETS

Trading remained quiet in the metals as large volume traders awaited the upcoming economic figures later this week, reports Drexel Burnham Lambert. Copper futures were active as fund buying pushed prices through resistance levels. In the softs, cocoa gained slightly as stop orders rallied prices early, sugar drifted lower in mostly local dealings. Coffee was down 110 points basis December, but in light volume. The livestocks began the week mixed as consolidation took place after last week's active sessions. Pork bellies edged higher in light trading while live hogs and cattle were down reflecting weaker cash prices. The grains markets and cotton were quiet; two-sided affairs as many await Tuesday's crop report. The energy complex featured choppy activity to begin the week. Crude oil had mixed trading throughout the day. Gasoline continued to be firm as seasonal demand remains supportive. Heating oil was down reflecting the unwinding of crack spreads against the crude oil.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Sep	359.2	359.4	0	0
Oct	360.9	361.8	361.7	360.0
Nov	362.8	363.2	0	0
Dec	364.6	365.0	365.7	363.6
Feb	368.5	368.9	369.4	367.5
Apr	372.5	373.0	373.2	373.0
Jun	376.8	377.2	377.6	376.8
Aug	380.8	381.2	380.5	380.5
Oct	385.1	385.4	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Oct	474.5	475.3	475.8	472.0
Nov	475.5	476.4	0	0
Jan	478.5	479.6	480.5	478.0
Apr	481.5	482.1	483.0	483.0
Jul	484.0	484.6	0	0
Oct	487.8	488.1	489.0	489.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Sep	505.1	505.3	506.5	505.0
Oct	508.0	508.2	0	0
Nov	512.4	512.6	0	0
Dec	516.3	516.5	518.5	516.0
Jan	519.5	519.7	0	0
Mar	528.0	528.3	530.0	527.6
May	535.9	536.3	538.5	536.0
Jul	544.0	544.6	546.0	544.5
Sep	552.4	553.1	554.5	554.5
Dec	564.2	565.0	566.0	565.0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Sept 8	Sept 7	mnth ago	yr ago
1914.9	1902.1	1892.0	1874.1

DOW JONES (Base: Dec. 31 1974 = 100)				
Spot	129.46	129.37	128.00	133.78
Futures	130.52	130.86	129.23	136.80

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	130.30	127.20	130.80	124.70
Oct	128.70	125.60	0	0
Nov	127.19	124.19	0	0
Dec	125.60	122.60	125.70	119.00

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Oct	19.78	19.75	19.92	19.62
Nov	19.43	19.41	19.58	19.28
Dec	19.20	19.22	19.36	19.13
Jan	18.98	18.99	19.07	18.94
Mar	18.77	18.70	18.80	18.74
Apr	18.67	18.66	18.74	18.66
May	18.58	18.61	18.65	18.55

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Oct	5605	5674	5690	5605
Nov	5645	5719	5705	5635
Jan	5645	5685	5685	5645
Feb	5530	5578	5580	5530
Mar	5375	5368	5375	5340
May	5060	5046	5050	5010
Jun	4920	4968	4920	4920
Jul	4970	4948	4970	4970

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Sep	1090	1072	1090	1090
Dec	1101	1081	1113	1095
Mar	1094	1080	1104	1091
May	1100	1083	1113	1103
Sep	1148	1139	1150	1149
Jul	1125	1114	1130	1120
Dec	1180	1160	1180	1180

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Sep	88.08	88.26	88.25	86.60
Dec	86.65	87.76	88.20	86.50
Mar	89.00	89.50	90.20	88.65
May	91.38	91.90	92.20	91.00
Jul	93.25	93.86	94.00	92.75
Sep	95.25	95.69	0	0
Dec	98.00	99.13	98.00	98.00

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Oct	13.43	13.56	13.58	13.40
Jan	12.85	12.90	0	0
Mar	12.75	12.84	12.92	12.73
May	12.58	12.63	12.69	12.57
Jul	12.37	12.43	12.47	12.32
Oct	12.09	12.17	12.05	12.05

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Oct	72.25	72.40	72.70	72.05
Dec	73.27	73.31	73.75	73.02
Mar	74.25	74.40	74.70	74.10
May	75.05	75.38	75.60	75.00
Jul	75.50	75.60	75.80	75.30
Oct	69.70	69.70	69.70	69.35
Dec	67.30	67.32	67.35	67.16

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	158.60	159.65	158.90	158.00
Nov	142.90	142.65	143.05	142.00
Jan	139.60	139.30	140.00	138.25
Mar	139.05	138.90	139.00	138.00
May	138.50	138.70	139.00	138.00
Jul	137.95	138.40	139.00	138.00
Sep	137.75	138.20	0	0
Nov	142.80	138.00	0	0

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Sep	607/0	607/4	611/0	603/0
Nov	591/0	594/4	598/0	590/0
Jan	600/2	603/4	606/0	599/4
Mar	611/6	613/6	618/4	611/0
May	619/0	621/6	626/0	618/4
Jul	622/6	624/6	628/4	622/4
Aug	613/0	614/0	0	0
Sep	592/0	592/0	596/0	592/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Sep	18.93	19.05	19.28	18.83
Oct	19.01	19.19	19.40	18.97
Dec	19.49	19.66	19.74	19.41
Jan	19.72	19.90	19.94	19.68
Mar	20.06	20.28	20.30	20.06
May	20.40	20.55	20.70	20.40
Jul	20.75	20.91	20.90	20.76
Aug	20.62	20.91	20.60	20.65

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Sep	204.9	202.8	205.1	202.5
Oct	193.2	191.2	194.2	190.7
Dec	189.7	188.4	191.2	187.8
Jan	189.0	188.2	190.6	187.8
Mar	188.3	187.7	190.0	187.0
May	186.7	187.8	188.5	186.5
Jul	186.0	186.0	187.5	185.5
Aug	184.0	184.0	184.0	184.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Sep	238/4	239/4	240/4	238/0
Dec	238/2	238/2	240/0	238/0
Mar	245/6	246/4	247/2	245/0
May	251/2	251/0	252/4	250/4
Jul	253/0	253/0	254/8	252/4
Sep	245/0	244/4	245/4	245/0
Dec	239/4	240/0	242/0	239/4

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Sep	393/0	395/4	396/6	392/4
Dec	404/2	404/6	405/6	404/6
Mar	406/6	406/2	407/4	405/6
May	391/2	391/6	392/4	390/6
Jul	360/2	360/0	361/0	359/4
Sep	366/4	366/0	367/4	366/4

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Sep	68.80	68.80	0	68.10
Oct	71.67	71.87	72.20	71.55
Dec	73.15	72.82	73.37	72.62
Feb	72.67	72.42	72.85	72.25
Apr	73.67	73.52	73.90	73.40
Jun	71.55	71.57	71.80	71.50
Aug	70.00	70.02	70.20	70.00

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Oct	38.75	39.17	39.20	38.65
Dec	40.80	41.17	41.30	40.55
Feb	42.80	42.85	42.80	42.35
Apr	40.62	40.70	40.85	40.25
Jun	45.55	45.40	45.65	45.20
Jul	46.20	45.85	46.20	45.85
Aug	44.77	44.70	44.95	44.60
Oct	41.90	41.66	42.00	41.55

PORK BELLIES 40,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	46.17	45.90	46.37	45.65
Mar	46.30	46.20	46.47	45.95
May	47.55	47.10	47.55	46.90
Jul	47.85	47.65	47.80	47.55
Aug	47.05	47.10	47.30	47.05

LONDON STOCK EXCHANGE

Equities give ground in nervous trade

THE CLIMATE turned chillier in the London equity market yesterday as investors took a more critical view of last week's equity performance on both sides of the Atlantic. Equities were significantly quieter than on Friday but share prices proved vulnerable to disappointing developments on both the takeover and corporate reporting fronts.

The principal blow to market confidence came when Ferranti, the UK electronics defence group, first asked for a suspension of trading in its shares, and then disclosed that today's annual meeting of shareholders has been cancelled pending a further statement on certain overseas contracts at ISC Technologies, a Ferranti subsidiary.

Leading shares, on the slide from mid-morning when the FT-SE future contract came under pressure, extended their losses following Ferranti's second statement and, with Wall Street falling in early deals, London closed at the day's lowest level.

The final reading on the FT-SE Index showed a loss of 23.3 at 2,400.6, bringing the psychologically sensitive 2,400 mark into hazard again for the second time within a week. The day's trading was further unsettled by two failures of the Stock Exchange price reporting system. The first came before 8.00am and lasted for 40 minutes, while the second break came at the close of the market and lasted only a few moments.

While there was no great selling pressure yesterday — Seaq volume fell to 484m shares from Friday's 791.3m — market sentiment was depressed by a range of economic and corporate factors.

Monthly data on domestic retail sales and producer prices was regarded as confirmation that the economy is slowing; this in turn confirmed market nervousness over the corporate results season now under way. Mrs Thatcher repeated, in a speech in the North of England, that domestic interest rates would stay high until inflation is overcome.

On the bid front, the market is braced for a decision from the UK Takeover Panel, which meets tomorrow, on the request from the Hoylake consortium that its bid for BAT Industries be allowed to lapse pending US regulatory rulings; an early resolution of this major bid situation is seen as unlikely. A £120m offer for United Scientific Holdings came from Meggitt, but the market was then slightly disappointed to here that Pembridge may bid for DRG, the paper products company, below the market price.

"There was no desperate rush to sell stock yesterday," commented Mr Bill Smith, equity strategist at Prudential-Bache. "But, in the wake of Wall Street's first down week for nine weeks, investors were re-examining gains in the London market."

Account Dealing Dates			
First Dealings:	Sep 4	Sep 18	Oct 2
Option Declarations:	Sep 14	Sep 28	Oct 12
Last Dealings:	Sep 15	Sep 29	Oct 13
Account Day:	Sep 25	Oct 9	Oct 23

*New time dealings may take place from 9.00 am two business days earlier

Ferranti suspension disturbs

News of the suspension of trading in shares in UK defence electronics manufacturer Ferranti came only three days after the takeover of Plessey, one of the UK's most prominent defence and electronics groups. Ferranti's suspension also came one day before the group's now-postponed annual meeting.

Dealings in Ferranti shares, poor performers against the electronics sector and the market over the past year or so after disappointing results and a profits warning, were suspended prior to the opening of the market yesterday. Last Friday Ferranti shares closed at 73½p, compared with a 1989 low point of 69½p.

Ferranti said a review of its accounts was underway "with regard to certain overseas contracts entered into by ISC Technologies." The market was immediately awash with various rumours. These included stories about a European group taking a stake in Ferranti, a capital restructuring, or the putting up for sale of various parts of the US interests. However, the favoured suggestion was that the problems involve a missed payment on a significant overseas defence equipment contract that could, according to market specialists, lead to a writedown of some £20m for Ferranti.

Worse still, said analysts, it could lead to intense pressure from institutions for management changes. "Institutions are now totally disillusioned with the Ferranti board — the game is only just beginning," said one leading watcher of the stock.

Talk in the market suggested that the writedown would be revealed within a week and the annual meeting reconvened in a month. "The shares will probably be requoted within a week but at nearer 60p than 65p," said one observer.

DRG setback

Dealers marked down DRG shares in the wake of the announcement from Pembridge that it wanted to bid for the company at below the market price. The shares had initially risen in anticipation of a bid, then fallen sharply before hitting a low of around 583p.

The shares eventually closed at 590p, down 14 on the day, reflecting fears that Pembridge had not finalised its financing. Marketmakers were soon forecasting a sighting bid in the 575p to 600p range, while analysts said that a final offer of the best part of 650p would be required to pull off the acquisition.

Mr Stephen Weller, analyst at Kleinwort Benson, conducted an asset valuation on DRG and said the company was worth 750p share. He said that Pembridge's intention was to break up the company for sale, warning, however, that DRG's management would put up a strong defence, even to the extent of seeking a white knight — perhaps a Scandinavian or North American paper company wishing to diversify vertically.

A more cautious view was expressed by Mr Colin Tennant of Hoare Govett. He valued the company at 650p a share, excluding property. That last item should be more easily valued after the company's interim figures tomorrow. He added that a bid was unlikely ahead of the figures.

Insurances suffered from widespread profit-taking. Legal & General, reporting interims on Wednesday — Citicorp Scrimgeour Vickers expects pre-tax profits of £68m against £61.5m and an interim of 5.3p against 4.5p, lost 5 to 369p. Prudential, also reporting interims on Wednesday — Citicorp goes for profits of £176m and an interim of 3.2p against 2.17p — dipped 3 to 212p.

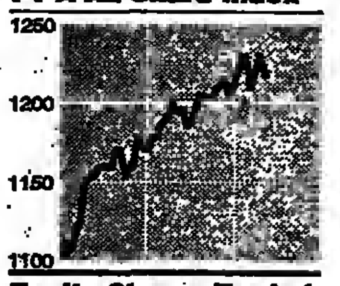
Royal Insurance was the main casualty in composites, dropping 18 to 465p after some determined selling, possibly from the Adstead stable.

There were few firm stocks in an oil and gas sector suffering a reaction from the general decline in equity markets and the recent strong showing by energy issues. Turnover in oils, traditionally among the biggest in the market, was well below normal levels for the sector. BP slipped 2 to 317p ahead of news, expected on Thursday of a reorganisation of the group's exploration and production division and the disposal of some $1bn-worth of assets. A meeting of oil sector analysts with an address by Mr John Browne, a BP director, is scheduled for this coming Friday.

Shell gave up 3½ to 450p in front of Thursday's interim dividend announcement — Hoare Govett is going for 7.8p against a comparable figure of 7.16p.

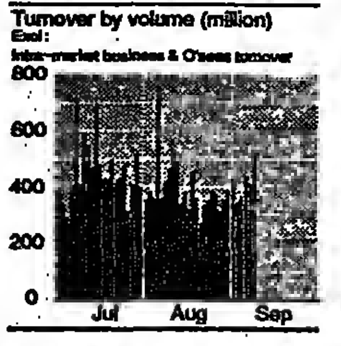
LASMO, excited last week by market talk of a huge gas discovery in the Sind Province of Pakistan, in the Tajjal concession, eased 2 to 539p on turnover of 841,000 after an official

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excl: Intra-market business & O'seas turnover



drilling report indicated a flow of 28m cubic feet of gas a day.

Both BZW and Nikko Securities spotted that Smith and Nephew had fallen to a five year relative low and recommended buying the shares. Mr Steve Plag of BZW believes that the current price "overdiscounts the trading problems the company has encountered." S&N closed up 2 at 140½p.

News that a SmithKline Beecham hepatitis-B drug had received approval from the US Food and Drug Administration did the shares no harm. Combined with US buying, the shares resisted the downward impetus of the wider market to closed 2 better on the day at 606p. The equity units, which are traded more heavily in New York, jumped 67 to 2788p.

Amersham International continued to weaken as the health and household team at Hoare Govett cut its forecast for profits for the current year from £22.3m to £20.5m. Ms Julie Tulloch at Hoare blamed the cut in forecast on the June moratorium on sales in Japan imposed by the Japanese Government. She said it would be more difficult for the company to regain market share than it had thought. Hoare is the latest in a line of brokers to visit Amersham, shares of which ended 15 down at 442p.

Grand Metropolitan took a knock in the wake of adverse comment in the weekend press and from some City analysts, the shares dropping 15 to 519p on turnover of 2.5m. The message from both quarters was roughly the same; Grand Met has been concentrating too much on deal making and not enough on its fundamental business. This criticism comes a week after the group announced it was selling the William Hill and Mecca betting shops to Brent Walker for £686m, this just nine months after William Hill was bought from Sears for £331m.

Hoare Govett is one broking house which has publicly expressed concern about Grand Met's voracious appetite for deal-making. "We are not arguing that management should pass up a major chance to enhance shareholder value by way of an opportunistic disposal," says Hoare in reference to the betting shops sale, "rather that the cost of doing so confuses the investor and prolongs the period of uncertainty about the effectiveness of group strategy."

Among mostly weaker stores Kingfisher stood out, the shares closing steady at 338p on turnover of 1.5m. Dealers said that there was some support for the stock ahead of today's half-year earnings figures. The range of market estimates is roughly £51m to £56m, compared with £43.2m at the same stage last year.

Another retail group reporting interim figures this week is Ratners, and although there has been talk of better than hoped for August sales, particularly at the Salisbury chain of stores, the shares went with the market, closing 3 lower at 279p. Citicorp Scrimgeour Vickers, the securities house, forecasts that profits at the half way stage will be £10.5m, but point out that this period traditionally accounts for only 5 to 10 per cent of annual profits, such is the significance of the Christmas trading period.

The Meggitt bid for United Scientific Holdings (USH) drove the latter's shares up to 184p at one point before they slipped back to close a net 29 higher at 175p. The identity of the bidder, but not the actual bid, came as a surprise to a market that has been looking for a predator for USH for some considerable time. Meggitt has built a 3 per cent stake in USH prior to the announcement. Meggitt is offering a share swap with a partial cash alternative.

Traders said the Meggitt offer could well flush out a counter bidder, with glass manufacturer Pilkington said to be one of the potentials, along with GKN.

News of a potential move for National Telecom, which announced it was in talks with a possible bidder, saw Nat Telecom stock advance 14 to 98p, 105p.

Oxford Instruments were among the weakest performers in the electronics arena with the shares down 11 at 268p after news that it is paying Carlton Communications £57.5m for Link Scientific. George Scholes, after comment in the weekend press, dropped 20 to 192p. Cable & Wireless were 5 off at 606p on turnover of 1.1m shares with the US roadshows said to have little impact on sentiment in the shares ahead of the forthcoming ADS listing.

Amstrad made progress after a weekend report suggested the group will announce today a new fax machine, costing less than £600.

Delta disappointed with interim profits at the lower end of forecasts. The shares eased 7 to 352p.

News that Suter had sold all its 13¼m shares in Johnson & Firth Brown boosted the former and weakened the latter. Dealers speculated over the destination of the stake, but a suggestion that it might have been placed with a single party did not prevent J&FB easing 2 to 56p. Suter touched 205p before closing a net 2 better on the day at 202p.

British Aerospace benefited from press comment ahead of interims tomorrow. The shares held on to gains of up to 9 until the last hour of trade. They ended unchanged at 701p.

Trading in United Biscuits was nervous after a story in a US newspaper suggested that UB may have to pay out around $40m as part of an $120m out-of-court settlement with US group Procter & Gamble. UB, via its American subsidiary Keebler, is being sued along with two US biscuit producers by P&G in a dispute involving the patent for a brand of P&G's "crispy-chewy cookies." It is now believed that talks likely to lead to a settlement have been taking place, and UB is expected to make an announcement regarding the matter tomorrow, when the group also reveals its half-year earnings. UB closed down 4 at 397p.

Ocean Transport fell quickly on new that a stake held by Mr Ron Brierley, the New Zealand entrepreneur, had been placed with institutions, all but eliminating the chances of a bid in the short term. The shares ended 28 off at 349p. One dealer, looking for a silver lining, spoke of a reduction in uncertainty surrounding Ocean Transport and Trading and said continental buyers had sought the stock. The company reveals interim figures on Wednesday.

Half-year profits £1m above the highest of analysts' forecasts from British Vita pushed the price 22 better to 311p. BZW moved quickly to upgrade its forecast for the full year figure, from £44.3m to £47m. Next year's figure is raised by a little less, from £49.8m to £52m.

The chemicals team of Mr Martin Evans and Mr Oliver Fear at BZW pointed out that the results ended a brief run of disappointing chemical sector news from Cookson, Croda and Evode. They warned, however, that although the shares were on an 8 per cent premium, there was "little scope for the premium to increase and the shares might consolidate or drift back from this level. Aggressive funds should top slice with a view to buying buy at a lower level," they said.

Polly Peck gave up some of the gains earned last week following the acquisition of the tropical foods business of Del Monte. Investors realised profits and the price dropped back 25 to 388p as 2.5m shares went through Seaq.

Further uncertainty surrounding the bid from Hoylake and the wider market weakness left BAT Industries down 10 at 403p, and Rothmans, moving in sympathy, 11 lighter

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 27

NEW HIGHS AND LOWS FOR 1989

NEW HIGHS (130).
AMERICANS (9) CANADIANS (2) BANKS (2) BREWERS (1) BUILDINGS (1) CHEMICALS (5) STORES (4) ELECTRICALS (11) ENGINEERING (3) FOODS (6) HOTELS (1) INDUSTRIALS (14) Abbeycrest, BBA, Bespak, British Vita, Davis Godfrey, Fletcher Chlnga., Mccarthy, Macfarlane, Norfolk House, Photo-Me, Proudfoot, Russell (A), Sytlone, Westmex, INSURANCE (1) LEISURE (3) MOTORS (1) PAPERS (2) PROPERTY (1) TEXTILES (1) TRANSPORT (1) TRUSTS (43) OILS (6) OVERSEAS TRADERS (1) MINES (16) THIRD MARKET (1).
NEW LOWS (28).
AMERICANS (1) BUILDINGS (1) CHEMICALS (2) STORES (2) ELECTRICALS (7) FOODS (1) INDUSTRIALS (4) Brit. Bloodstock, Burndene, Copymore, Reliant. LEISURE (1) PAPERS (2) TEXTILES (1) TRUSTS (2) OILS (2) MINES (1) THIRD MARKET (2).

FINANCIAL TIMES STOCK INDICES

	Sep 11	Sep 8	Sep 7	Sep 6	Sep 5	Year Ago	1989 High	1989 Low	Since Compilation High	Since Compilation Low
Government Secs	86.08	86.08	86.14	86.02	86.26	86.67	89.29 (8/2)	83.75 (14/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.70	96.91	96.87	97.07	97.16	95.34	99.59 (15/3)	95.21 (13/6)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary Share	1981.6	2003.7	1999.1	1978.7	2008.6	1401.7	2008.6 (5/9)	1447.8 (3/1)	2008.6 (5/9/89)	49.4 (26/6/40)
Gold Mines	205.3	204.9	203.8	201.2	200.6	176.6	205.0 (7/7)	154.7 (17/2)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2400.6	2423.9	2415.9	2390.8	2426.0	1744.8	2426.0 (5/9)	1782.8 (3/1)	2443.4 (16/7/87)	986.9 (23/7/84)
Ord. Div. Yield	4.02	3.96*	3.96*	4.00*	3.93	4.88				
Earning Yld %(full)	9.68	9.48	9.47	9.56	9.41	12.30				
P/E Ratio(Net)(±)	12.48	12.73	12.74	12.62	12.81	9.87				
SEAQ Bargains(5pm)	27,152	29,991	25,698	27,868	28,135	14,878				
Equity Turnover(£m)†	-	1269.00	1001.85	1030.76	827.35	588.47				
Equity Bargains†	-	31,064	25,540	30,118	28,270	15,444				
Shares Traded (ml)†	-	515.1	406.6	426.6	353.1	210.9				

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35. Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 ± Nil 12.35

Ordinary Share Index, Hourly changes — Day's High 2005.7 — Day's Low 1981.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2003.7	2003.8	1989.2	1993.1	1993.9	1993.6	1990.5	1983.1

FT-SE, Hourly changes — Day's High 2425.3 — Day's Low 2400.4

Open	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
2425.3	2414.3	2408.6	2414.2	2415.2	2416.0	2410.9	2402.3

S.E. ACTIVITY

Indices	Sep 8	Sep 7
Gilt Edged Bargains	82.2	80.4
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A
5-Day average		
Gilt Edged Bargains	80.0	80.8
Equity Bargains	N/A	N/A
Equity Value	N/A	N/A

SE Activity 1974. †Excluding intra-market business & O'seas turnover. * Corrected figures

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for most Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	2,700	199	-3½	Courtaulds	219	387	-1	LASMO	841	539	-2	Saatchi & Saatchi	361	322	+3
Abbey National	8,830	151	-2	Dalgety	144	420	-4	Laporte	566	305	-2	Sainsbury	357	280	-1
Allied-Lyons	1,820	550	-15	Dixons	1,600	161½	-2½	Lucas	362	667	-13	Scott & Newcastle	717	377	-6
Amstrad	5,300	81	+2	Eng China Clays	169	468	-2	MB Group	928	214	-4	Sears	2,700	125	-2
Argyll Group	473	253	-2	Enterprise Oil	260	607	-2	MEPC	674	591	-4	Shell Transport	1,800	449½	-4
Ass. Brit. Foods	61	438	-1	Fisons	908	343	-7	Marks & Spencer	1,300	218	-3	Siebe	357	570	-11
[illegible]				[illegible]				[illegible]				[illegible]			
British Gas	2,900	209	-1½	Hawker Siddeley	473	760	-8	RTZ	514	581	-7	Trafalgar House	2,400	390	-5
British Land	174	389	-5	Hillsdown Hldgs	656	317	-1	Racal	2,460	239		Trusthouse Forte	1,600	345	-9
BP	5,800	317	-2	IMI	2,100	251	-2	Rank Org.	375	915	-2	Ultramar	741	348	-2½
British Steel	6,400	76¼	-1½	Imp. Chem.	1,300	1284	-15	Reckitt & Colman	342	1217	-5	Unilever	682	655	-7
British Telecom	2,600	275½		Inchcape	528	302	-3	Redland	294	558	-9	United Biscuits	658	397	-4
Burmah Oil	479	629	-10	Jaguar	306	409	-5	Reed International	1,400	437	-10	Utd. Newspapers	33	493	-2
Burton	1,200	256	-5	Kingfisher	1,500	338		Reuters	346	949	-6	Wellcome	1,468	687	-18
Cable & Wireless	1,100	606	-5	Ladbroke	1,400	338	-4	Rolls Royce	6,500	201	+1½	Whitbread 'A'	2,000	394	-11
Cadbury Schweppes	272	400	-3	Land Securities	250	594	-2	Rothmans	176	647	-11	Williams Hldgs.	609	274	
Carlton Comms.	306	452	-7	[illegible]	8	511	-1	Royal Bk of Scotland	290	182	+1	Wimpey	1,500	283	+1
Commercial Union	706	436	-4	Legal & General	620	369	-5	Royal Insurance	2,100	465	-13				
Cookson	1,200	340	-9	Lloyds Bank	869	419	+3	STC	2,100	375	-2				

APPOINTMENTS

Hozelock names operations director

HOZELOCK, leading UK manufacturer of garden watering systems and pressure sprayers, announced three board appointments, including a new manufacturing supremo to improve efficiency and co-ordination between its production units.

He is Mr Peter Richardson, 46, who has been given the title of operations director. He has spent the last 13 years at Linpac Mouldings, latterly as factory manager.

Mr Peter Fewell, 51, becomes technical director, responsible for design, development and quality control. Previously manufacturing manager, he has been with the company since its foundation over 30 years ago.

—Mr Don Potter, 39, formerly financial controller, moves to the post of financial director.

■ Becoming executive directors of the TATE & LYLE group are Mr Murray McEwen, managing director of Tate & Lyle's North American sugar interests, and Mr Larry Cunningham, president and chief executive of Staley, Tate & Lyle's US cereal sweeteners and starches company.

Mr L.R. Wilson, presently executive director in charge of the group's North American interests, will become a non-executive director of Tate & Lyle in the UK on October 1 when he assumes the role of vice chairman at the Toronto-based Bank of Nova Scotia.

■ Mr Stuart Roberts, 43, has been made a member of the BRYANT GROUP board. He joined the group in 1973 and is currently managing director of Bryant Construction Southern.

He will be appointed managing director of the Construction Division in November next year, succeeding Mr Ken Harvey on his retirement.

■ Mr Jonathan Sams, formerly a partner of Laurie Milbank and later head of gilt market-making at Chase Manhattan Securities, will take up a position of joint managing director of ROWE & PITMAN MONEY BROKING (a subsidiary of S.G. Warburg) on October 2. Mr Sams, 45, will become sole managing director on December 21 when Mr Peter Morley, the present managing director, retires.

■ PROPERTY DATA SERVICES has made Mr Jeremy Roest its managing director. He was managing director of Harvest Information Services.

■ As a result of the impending retirement from CHURCH & CO of Mr J.B. Ashley at the end of the year after 40 years service, the company has appointed to the board Mr Anthony Gledhill. It is proposed that Mr Gledhill will be responsible for the future development of the Church name.

Mr Gledhill retains his seat on the board of JOSEPH CHEANEY, where Mr Martin Cromwell has succeeded him at the company and assumed full responsibility for its sales aspect.

CABLE CORPORATION and its Windsor Television subsidiary announced the resignation of Mr Michael Davis as chairman, and the nomination of Mr Ray Whitney *(above)*, OBE, MP, as acting chairman. Mr Davis, who founded Windsor Television, a leading UK television cable operation, will remain on the Cable Corp board as a director representing the interests of Standard Life Assurance, one of its largest investors. Mr Davis intends to concentrate on new business opportunities, including plans for a new cable television venture.

■ At ALLIED-LYONS, Mr Timothy Dalton has been promoted to group treasurer after holding the position of group deputy treasurer since 1986.

Mr Dalton replaces Mr Vernon Cull, who becomes financial adviser until his retirement next July.

■ Mr Ranald Bain has been promoted to director of UK marketing at EDS (ELECTRONIC DATA SYSTEMS).

■ Mr Christopher F.J. Tucker has been appointed director, investment research, electronics, at KITCAT & AITKEN.

■ Mr Uwe Lamann has been made managing director of SIEMENS COMMUNICATION SYSTEMS. He was responsible for Siemens' electronic components group in the UK.

■ Mr Ken Price takes over as chairman at HUNTING GATE HOMES from Mr John Redgrave, who will continue to serve on the board.

Mr Don Paxton has joined the company as managing director. He was employed with Wimpey Homes.

■ BURGESS INDUSTRIAL ACOUSTICS has appointed director Ms Valeries Pears as managing director.

FT UNIT TRUST INFORMATION SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AUTHORISED UNIT TRUSTS

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Abbey Unit Tst Mngrs (1000)H						
80 Holdenhurst Rd, Bournemouth 0345 717373						
High Income						
American Income	6	58.13	58.74	62.49	+0.27	4.33
Gilts & Fixed Int	6	109.3	109.3	113.9	-0.4	8.65
High Inc Equity	6	142.5	145.5	154.8	-0.7	4.10
Worldwide Bond	6	205.1	205	217.3	+0.5	4.88
Capital Growth						
American Growth	6	208.2	210.5	224.0	+1.9	0.85
Asian Pacific	6	116.1	118.4	126.0	-0.1	1.03
Assets & Earnings	6	168.6	168.6	180.4	-0.5	2.05
[illegible]						

[illegible]

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ¥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Windsor Trust Mngrs Ltd (1200)F						
83 Kingsway, London, WC2B 6SD 01-405 8331						
Combl & Equity	5	64.52	67.44	71.74	-0.42	6.42
European	5	78.81	79.14	84.18	-0.22	0.09
Far Eastern	5	62.78	69.22	73.64	+0.08	0.59
Growth Inc	5	89.96	93.64xd	99.61	+0.23	1.37
Growth Acc	5	90.03	93.70xd	99.68	+0.23	1.37
Income Inc	5	85.71	87.94xd	93.54	-0.67	4.54
Income Acc	5	85.82	88.04xd	93.65	-0.67	4.54
Property Share	5	55.59	55.59	59.26	-0.1	0.99
Smaller Co's	5	59.11	59.11	63.00	-0.2	1.52
Nth American	5	70.99	70.99	75.92	-0.06	1.46
International	5	51.94	51.94	55.54	-0.23	0.35
Wright Seligman Fund Mngrs Ltd (1700)F						
11 Blomfield St, London EC2M 7AY 01-588 0592						
Intl Growth	5	118.68	118.68	124.95	—	3.75
UK Growth	5	95.00	95.00	100.00	—	3.00
UK Income	5	95.00	95.00	100.00	—	4.50
Weekly dealing day Tuesday						
The Yorkshire Unit Tst Mngrs Ltd (1100)F						
Woodsome Pk, Fenay Bdge, Huddersfield 0484 602250						
Yorkshire General	5¼	65.45	68.19	72.54	-0.07	2.50
YUTM UK Eqty Inc Tst	5¼	61.69	63.18xd	67.94	-0.21	3.68
YUTM Intl Cash Tst	5¼	55.08	55.08	58.79	+0.11	0.76

OTHER UK UNIT TRUSTS

		Bid	Offer	+ or -	Yield
Baillie Gifford & Co Ltd					
Int'l Expt June 7		485.3	503.8		
Cent. Bd. of Fin. of Church of England					
2 Fore Street, London EC2Y 5AQ 01-588 1815					
Inv Fund Aug 31		353.45		—	4.61
Fxd Int Sec Aug 31		141.85		—	10.08
Deposit Aug 31		100.00		—	13.45
Charinco/Charishare (1600)F					
33 King William Street, EC4R 9AS 01-280 2800					
C'inco Inc Sep 6		164.5	168.6xd	-1.30	9.73
C'inco Acc Sep 6		690.7	708.6xd	-5.70	9.73
C'share Inc Sep 6		165.9	172.0xd	+2.40	3.37
C'share Acc Sep 6		183.6	390.5xd	+4.10	3.37
Charities Official Invest. Fund					

	Bid Price	Offer Price	+ or -	Yield Gross
Albany Life Assurance Co Ltd—Contd.				
Sunrise Metro	142.0	149.4	+0.3	—
UK Metro	126.2	132.8	-0.4	—
N Am Ps Fd Acc	284.5	299.5	+2.8	—
Pac Basin Fd Acc	207.2	218.1	+0.6	—
Property	608.5	640.3	+0.3	—
Mtple Inv Pens Acc	1561.7	1643.8	-3.2	—
Broker Funds				
Prof. Pen. Fd	101.7	107.0	-0.5	—
YBA Strategy	128.0	134.7	+0.2	—
YBA Performance	109.8	115.5	—	—
Langton Dollar (SE)	145.3	153.9	+0.3	—
Allied Dunbar Assurance Plc				
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514				
Fixed Int. Dep. Acc.	265.9	279.0	+0.2	—
Equity Acc.	922.6	971.2	+0.9	—
Property Acc.	511.1	538.1	+0.1	—
Far East Acc.	217.8	229.3	+0.9	—
European Acc.	25.3	26.7	+0.3	—
Managed Acc.	720.5	758.5	+4.7	—
Managed Cap.	407.0	428.5	+0.5	—
O'seas Earnings Acc.	615.1	647.5	-0.4	—
Gilt Edged Acc.	318.0	334.8	-0.5	—
American Equity Acc.	498.6	524.9	+1.6	—
American Man Acc.	229.7	241.8	+0.7	—
American Prop Acc.	152.6	160.7	+0.8	—
Pen. F.I. Dep. Cap.	293.4	309.1	+0.2	—
Pen. F.I. Dep. Acc.	507.4	534.2	+0.6	—
Pen. Prop. Cap.	598.8	630.4	+0.1	—
Pen. Prop. Acc.	1143.7	1203.9	+0.5	—
Pen. Man. Cap.	887.6	934.4	-2.5	—
Pen. Man. Acc.	1696.6	1785.9	-4.3	—
Pen. Gilt Edg. Cap.	317.6	334.7	-0.2	—
Pen. Gilt Edg. Acc.	496.0	522.2	-0.7	—
Pen. Eq. Cap.	1475.4	1553.1	-5.4	—
Pen. Eq. Acc.	2136.6	2248.0	-7.1	—
Pen. Am. Eq. Cap.	168.5	177.4	+0.5	—
Pen. Am. Eq. Acc.	207.6	218.6	+0.7	—
Pen. Far East Cap.	257.4	271.0	-1.5	—
Pen. Far East Acc.	315.9	332.6	-1.7	—
Pen. Euro Cap.	30.5	32.2	-0.1	—
Pen. Euro. Acc.	33.5	35.3	-0.1	—
Pen. B.S. Acc.	557.8	585.7	+0.6	—
Pen. B.S. Cap.	331.9	348.5	+0.3	—

INSURANCES

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

• For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

	Bid Price	Offer Price	+ or −	Yield Gross
Premium Life Assurance Co Ltd				
37-39, Perrymount Road, Haywards Heath 0444 458721				
American	133.0	140.0	+1.0	–
Building Soc Fd	174.0	10o.0		–
Balanced	294.0	310.0		–
European	192.0	203.0	−1.0	–
GT Managed	193.0	204.0		–
Gartmore Mngd	129.0	136.0		–
German	138.0	146.0	−1.0	–
Gilt	183.0	193.0	−1.0	–
Global	50.0	93.0		–
High Inc	121.0	128.0		–
International Equity	206.0	217.0		–
Japan	264.0	278.0	+1.0	–
Managed	64.0	60.0	−1.0	–
Property	291.0	307.0		–
R. W. Imperial Gold	156.0	165.0		–
UK Equity	348.0	368.0		–
Pension Funds				
American	158.0	167.0		–
Building Soc. Fd	176.0	186.0		–
Balanced	227.0	239.0		–
European	192.0	203.0		–
German	122.0	129.0		–
Gilt	159.0	168.0		–
International Equity	150.0	158.0		–
Japan	143.0	151.0		–
Managed	68.0	72.0		–
Property	[illegible]	235.0		–
UK Equity	338.0	356.0		–
Professional Life Assurance Co Ltd				
Frobisher Hse, Nelson Gate, Southampton 0703 232323				
Pensions Managed Fund	98.96	104.42	−0.07	–
Pensions Cash Fund	79.70	83.89	+0.09	–
Prolific Life & Pensions Ltd				
Stramongate Kendall Cumbria LA9 4BE 0539 713733				
Managed Fund see Balanced Growth Managed Fund				
Life Funds				
Balanced Gwth Mngd	634.9	669.1	−1.4	–
Adventurous Mngd.	138.2	145.7	−0.1	–
Secure Mngd	114.8	121.0	−0.4	–
Cash Fd	237.6	250.4		–
Property Fund	293.6	312.4		–
Equity Fund	723.0	762.7	−2.0	–
Fxd Int Fund	304.9	321.3	+0.1	–
International	329.0	350.0	−1.0	–
High Income	490.6	522.0	−4.1	–
Far East	449.9	474.0		–
North American	310.9	327.7	+1.7	–

	Bid Price	Offer Price	+ or −	Yield Gross
Prudential Holborn Pensions Ltd				
30 Old Burlington St, London W1X 1LB 01-439 3134				
Managed	605.6	637.5	−2.4	–
Equity	883.9	930.5	−6.0	–
Global Equity	263.8	277.7	−0.5	–
Fixed Interest	413.3	435.1	+0.3	–
Property	404.3	425.6	+0.9	–
Cash	160.9	169.4	+0.1	–
Index Linked Gilt	204.1	214.9	−0.3	–
Guaranteed	12.56			–
International Money	207.1	218.0	+0.6	–
North American	85.7	90.3	+0.6	–
Japanese	146.8	154.6	−1.3	–
European	106.7	112.4	−0.3	–
Special Situations	125.3	131.9	−0.6	–
Communications	114.2	120.3	+0.2	–
Smaller Companies	117.3	123.5	−0.4	–
International Small Cos	148.0	155.8	−0.6	–
Prudential Pensions Limited				
Holborn Bars, London EC1N 2NH 01-548 3281				
Discretionary Sept 6	£168.90	174.83		–
Equity Sept 6	£186.70	193.70		–
International Sept 6	£28.92	29.83		–
Intl Bond Sept 6	£12.87	13.04		–
Fixed Int Sept 6	£74.19	74.97		–
Index Linked Sept 6	£63.53	64.32		–
Property Sept 6	£114.08	120.86		–
Cash Sept 6	£21.5194	21.5194		–
Pru-Linked Retirement Plan				
Managed Sept 5	402.7	428.5		–
Cash Sept 5	201.9	210.5		–
Prudential Pensions Investment Account				
Pens Mngd Sept 11	166.5	178.0	+0.9	–
Pens UK Eq Sept 11	321.1	346.3	+2.7	–
Pens Intl Sept 11	197.5	212.7	−0.3	–
Pens Fixed Sept 11	170.0	179.6	−0.1	–
Pens Index Lk Sept 11	161.7	171.1	+0.4	–
Pens Cash Sept 11	131.9	138.9		–
Regency Life Assurance Co Ltd				
Regency Hse, Lanark Sq, London E14 9XS 01-538 8800				
Aggressive Ptflio Fd	125.5	132.1	−0.1	–
Balanced Ptflio Fd	329.6	346.9	+0.1	–
Cautious Ptflio Fd	125.1	131.6	+0.3	–
Elite Fund	120.3	126.6	−0.1	–
European Fund	94.7	99.60	−0.1	–
Far East Fund	109.0	114.7	−0.3	–
Fixed Interest Fund	245.9	258.8	+1.7	–
International Fund	290.3	305.5	−0.5	–
Money Fund	179.8	189.2	+0.1	–
N American Fd	128.4	135.4	+0.7	–

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

GUERNSEY (SIB RECOGNISED)

JERSEY (SIB RECOGNISED)

IoM (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (**)

SWITZERLAND (SIB RECOGNISED)

GUERNSEY (**)

FT UNIT TRUST INFORMATION SERVICE

ISLE OF MAN (**)

LUXEMBOURG (**)

OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1989 High	Low	Stock	Price £	+ or -	Yield Int.	Red.
[illegible]	98	Exch 11pc 1989	99	....	-	-
[illegible]	95	Treas 5pc 1986-89	99	...	5.03	10.66
[illegible]	98	Exch 10¼pcCv '89	99	......	10.31	12.68
101	99	Treas 13pc 1990‡‡	99	...	13.01	12.77
132	124	Treas 2pc IL '90(84.6)	132	....	2.09	9.98
[illegible]	98	Exch 11pc 1990‡‡	99	[illegible]	11.09	12.74
101	99	Exch. 12¼pc 1990	99¼	[illegible]	12.53	13.13
95	91	Treas. 3pc 1990	95	......	3.13	9.88
97	95	Treas 8¼pc 1987-90‡‡	97	[illegible]	8.47	11.85
98	95¼	Treas. 8pc Cv 1990‡‡	96	.....	8.26	11.98
98	96	Treas. 10pcCv 1990	97	[illegible]	10.27	12.52
93	87	Exch 2½pc 1990	92	....	2.69	8.79
101	98	Treas 11¾pc 1991	99	[illegible]	11.82	12.15
93	89	Funding 5¾pc '87-91‡‡	93	[illegible]	6.17	10.61
90	86	Treas. 3pc 1991	90	[illegible]	3.32	9.46
100	95	Treas 10pc Cv '91‡‡	96	[illegible]	10.30	11.81
101	97	Exch. 11pc 1991	98	[illegible]	11.15	11.73
94	91	Treas. 8pc 1991	92	.....	8.61	11.65
106	102	Treas 12¾pc 1992‡‡	102	[illegible]	12.39	11.26
99	95	Treas 10pc 1992	97	[illegible]	10.29	11.34
94	91	Treas. 8pc 1992‡‡	92	[illegible]	8.63	11.33
100	96	Treas 10½pc Cv 1992‡‡	98	[illegible]	10.68	11.24
85	82¼	Treas. 3pc 1992	84	[illegible]	3.54	9.36
105	101¼	Exch. 12¼pc '92	102	[illegible]	11.94	11.17
109	104	Exch 13½pc 1992	106	[illegible]	12.73	11.08
94	90	Treas 8¼pc 1993	92	[illegible]	8.93	10.95
100	95	Treas 10pc 1993‡‡	97	[illegible]	10.25	10.83
108	103	Treas 12½pc 1993‡‡	105	[illegible]	11.90	10.83
88	84	Funding 6pc 1993‡‡	86	[illegible]	6.90	10.01
113	108	Treas 13¾pc 1993‡‡	109	[illegible]	12.51	10.72
94	89	Treas. 8½pc 1994	92	[illegible]	9.23	10.79
117	112	Treas 14½pc 1994‡‡	113	[illegible]	12.75	10.58
113	107	Exch 13½pc 1994	109	[illegible]	12.30	10.76
100	95	Treas. 10pc Ln. 1994‡‡	97	[illegible]	10.23	10.60
110	104	Exch. 12½pc 1994	106	[illegible]	11.73	10.74

Five to Fifteen Years

BRITISH FUNDS—Contd

Over Fifteen Years

Undated

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Bank Accounts

Money Market Trust Funds

UNIT TRUST NOTES

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

AMERICANS—Contd

CANADIANS

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

DRAPERY AND STORES—Contd

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

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LONDON SHARE SERVICE

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LEISURE

1989 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
[illegible]	143	Airtours 10p	γ	161	.....	†6.25	3.2	5.2	7.3
[illegible]	195	Anglia TV	β	314	−1	†7.75	3.3	3.3	12.2
[illegible]	179	Aresco 1p	β	198	−6	g1.13	8.9	0.9	13.8
[illegible]	19	BCE Hldgs 5p	γ	19	.....	0.4	−	2.8	−
[illegible]	275	Barr & W.A.T. 'A'	γ	[illegible]	+5	†15.6	1.7	5.1	15.7
[illegible]	10	Bond Media		12	+2	Q2c	−	8.0	−
[illegible]	225	Boosey & Hawkes	γ	[illegible]	+10	10.0	2.5	2.7	19.4
[illegible]	35	Border T.V.	γ	53	.....	2.0	♦	5.0	♦
[illegible]	317	Brent Walker 10p	β	392	−2	11.0	3.4	3.7	7.9
[illegible]	87	Do 6pc. Cv. Cm. Rd. Pf	γ	104	−1	6.0	−	7.7	−
[illegible]	80	Buckingham Int'l. 10p	γ	105	+3	−	−	−	−
[illegible]	223	Campari Int. 20p	γ	225	−13	8.5	3.9	5.1	5.8
1135	509	Capital Radio 10p	β	1103	+42	†10.0	3.6	1.2	30.3
947	662	Carlton Comms	α	932	−7	†7.5	5.2	1.1	25.2
455	268	Castle Comms. 5p	γ	455	.....	†7.2	2.1	2.1	27.3
823	579	Central ITV	β	820	.....	25.5	2.5	4.1	12.5
248	126	Chrysalis	γ	166	.....	±3.43	0.1	2.8	−
138½	50½	Cityvision 5p	β	127	−2	†10.5	10.1	0.5	25.1
38	15	Classic Th'treds [illegible]	γ	18	.....	−	−	−	−
392	258	Compass Group 5p	β	385	−2	†7.2	2.7	2.5	19.8
106	69½	European Leisure	γ	102	.....	[illegible]	29.9	0.1	38.1
110	68	Ex Lands 10p	γ	70	.....	0.5	−	1.0	−
•117	95	Expedier Leis. 20p	α	114	.....	−	−	−	31.2
670	437	Fairline Boats 10p	γ	670	+35	†13.5	5.6	2.7	8.8
249	149	First Leisure	β	245	−2	†2.93	3.3	1.6	24.8
755	625	GWR Group 20p	γ	725	.....	†3.0	11.3	0.6	18.9
73	45	Grampian TVA 10p	β	70	−1	3.0	2.8	5.7	8.0
31	20	Greenwich Comm.	γ	24	.....	−	−	−	−
132½	85	HTV Ord	β	121	−2	†3.9	3.9	4.3	7.9
192	90	Hanimex A$0.25		97	.....	Q17c	♦	8.7	♦
137	112	Hi-Tec Sports	γ	129	.....	4.5	3.2	4.9	8.6
27½	13	Int'l Media Coms. 5p	γ	16	+½	−	−	−	−
255	180	Invicta Sound 10p	γ	228	.....	†2.7	2.8	1.6	29.3
68	41½	Kunick 10p	β	[illegible]	−½	[illegible]	[illegible]	[illegible]	[illegible]

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PAPER, PRINTING, ADVERTISING – Contd

PROPERTY

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TEXTILES – Contd

TOBACCOS

TRANSPORT

TRUSTS, FINANCE, LAND

Investment Trusts

TRUSTS, FINANCE, LAND – Contd

Finance, Land, etc

OIL AND GAS

OIL AND GAS – Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES – Contd

Miscellaneous

THIRD MARKET

1989 High	Low	Stock		Price	+ or −	Div Net	C'vr	Y'ld Gr's	P/E
115	28	Tomorrows Leisure 20p	γ	101	+1	−	−	−	50.3
19	11	Tullow Oil 10p	γ	16½	+½	−	−	−	−
113	80	UPL Group 10p	γ	80	.....	2.75	1.9	4.6	15.1
150	135	Unit Group	γ	146	+1	5.0	3.3	4.6	8.3
100	66	Video Magic Leis. 1p	γ	96	.....	W2.0	0.7	2.8	77.0
14	5	Vista Ents 5p	γ	8	.....	−	−	−	−
40	34	Vizcaya Hldgs 5p	γ	34	−1	−	−	−	−
46½	23	Whitegate Leisure 20p	γ	44	−1	−	−	−	−
32½	10	Do. Wrrnts.	γ	32	−½	−	−	−	−
10¼	5	Wilton Group 1p	γ	8	−¼	−	−	−	−

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsetable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- • Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ● Figures or report awaited
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially listed.
- # Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- ♦ Not comparable
- ♦ Same interim; reduced final and/or reduced earnings indicated
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1989-90. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	γ	97	+1
Craig & Rose £1	γ	630	.....
Finlay Pkg. 5p	γ	88	.....
Holt (Jos) 25p	γ	1348	−10

IRISH

Cap. 8½% Ln. 1991	£97½	.....
9pc Cap Ln. 1996	£99¾	−⅛
Fin. 13% 97/02	£119	.....
Arnotts	422	.....
Carroll (P.J.) γ	155	.....
Hall (R. & H.)	170	.....
Heiton Hldgs. γ	92xd	.....
Irish Ropes	212	.....
United Drug	145	.....

TRADITIONAL OPTIONS

3-month call rates

Industrials

	p
Allied-Lyons	38
Amstrad	11
BAT	80
BOC Grp	42
BSR	6½
BTR	32
Barclays	42
Blue Circle	24
Boots	25
Bowaters	44
Brit Aerospace	52
British Steel	7½
Brit. Telecom	21
Burton Ord	18
Cadburys	46
Charter Cons	48
Comm Union	32
Courtaulds	30
FKI	14
FNFC	22
Gen Accident	85
GEC	20
Glaxo	110
Grand Met	48
GUS 'A'	90
Guardian	18
GKN	34
Hanson	16
Hawker Sidd	60
ICI	100
Jaguar	28
Ladbroke	28
Legal & Gen	26
Lex Service	33
Lloyds Bank	29
Lucas Inds	58
Marks & Spencer	15
Midland Bk	30
Morgan Grenfell	24
Nat West Bk	25
P & O Dfd	55
Plessey	22
Polly Peck	26
Racal Elect	20
RHM	42
Rank Org Ord	80
Reed Intnl	34
STC	32
Sears	10
Smithkline Bchm. A	50
TI	38
TSB	10
Tesco	14
Thorn EMI	58
Trust Houses	24
T&N	10
Unilever	46
Vickers	18
Wellcome	42

Property

Brit Land	32
Land Securities	52
MEPC	50
Randsworth	28

Oils

Brit Petroleum	21
Burmah Oil	50
Calor	35
Charterhall	2½
Premier	9
Shell	32
Ultramar	16

Mines

Cons Gold	150
Lonrho	38
RTZ	40

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Dollar falls short of DM2.00

THE DOLLAR made an unsuccessful attack on DM2.00 yesterday, as the market lacked the incentive to push the currency beyond a point where it feared central banks would feel obliged to stem the advance. But at the London close the only central bank seen to have intervened was the Bank of Japan.

In early European trading the dollar hovered just below DM2.00, but after failing to attain a level above this point retreated below DM1.99, and closed at DM1.9870, against DM1.9800 previously.

In Tokyo resistance was seen at Y148.00, partly on profit taking, but also on intervention by the Bank of Japan, estimated at around $300m. The dollar closed at Y147.75 in Tokyo, the highest level since June 15, but fell back to Y146.80 in London, compared with Y146.25 on Friday.

Against the Swiss franc the dollar rose to SFr1.7150 from SFr1.7085 and in terms of the French franc to FFr6.6925 from FFr6.6700. On Bank of England figures the dollar's index rose to 72.7 from 72.3.

Lack of fresh factors kept the dollar relatively steady and encouraged profit taking. The July US trade figures on Friday will form the focus of market attention this week. A deficit of around $9bn is expected, compared with $8.2bn in June.

Foreign exchange trading is likely to grow increasingly cautious ahead of this data, and the market will also be wary of US producer prices for August on Friday and August retail sales on Thursday.

If the dollar remains strong ahead of these figures there could also be nervousness that a meeting of ministers from the Group of Seven on Thursday will produce new measures to stem the currency's rise.

Sterling reacted favourably to news on UK retail sales and producer prices. The pound lost ground to a strong dollar at the start of London trading, opening nearly 1 cent lower at $1.5395, and slipping to a low of $1.5365. It then recovered steadily however, underpinned by the economic news, to close 30 points lower on the day at $1.5455.

In terms of other major currencies sterling rose to DM3.0700 from DM3.0650; to Y227.00 from Y226.50; to SFr2.6500 from SFr2.6450 and to FFr10.3425 from FFr10.3375. The pound's exchange rate index was unchanged throughout at 90.9, apart from a fall to 90.8 at the opening.

A rise in August UK retail sales was not unexpected - following the slight pick-up in sales growth according to the latest CBI/FT distributive trades survey - but the gain of 0.4 per cent was towards the lower end of expectations, lending support to the view that the economy has slowed.

A fall of 0.3 per cent in August UK producer prices was rather more of a surprise. The market expected a rebound from the July fall of 0.9 per cent, to a rise of about 0.2 to 0.3 per cent. It was an encouraging figure, from the point of view of manufacturing profit margins, but gave further weight to the argument that companies will be less determined to withstand high pay demands.

£ IN NEW YORK

Sep.11	Latest	Previous Close
£ Spot	1.5420-1.5430	1.5375-1.5385
1 month	0.62-0.61pm	0.63-0.61pm
3 months	1.85-1.82pm	1.85-1.82pm
12 months	6.50-6.40pm	6.52-6.42pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Sep.11	Previous
8.30 am	90.8	90.9
9.00 am	90.9	90.8
10.00 am	90.9	90.9
11.00 am	90.9	90.9
Noon	90.9	90.9
1.00 pm	90.9	90.9
2.00 pm	90.9	90.9
3.00 pm	90.9	90.9
4.00 pm	90.9	90.9

CURRENCY RATES

Sep.11	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling #	-	1.25154	1.47882
U.S Dollar	7	1.23648	1.04239
Canadian $	12.36	1.46857	1.23742
Austrian Sch.	5	17.2613	14.6185
Belgian Franc	7.75	51.2799	43.4415
Danish Krone	9½	9.52090	8.06652
Deutsche Mark	5.00	2.45219	2.07717
Neth. Guilder	6.00	2.76415	2.34079
French Franc	9½	8.25969	6.99756
Italian Lira	13½	1757.59	1488.53
Japanese Yen	3¼	181.268	153.721
Norway Krone	8	8.91997	7.54794
Spanish Peseta	•	152.951	129.517
Swedish Krona	9½	8.25721	6.98817
Swiss Franc	5.5	2.11624	1.79436
Greek Drach.	20½	211.172	179.009
Irish Punt	-	0.918560	0.778250

Sterling quoted in terms of SDR and ECU per £.
† European Commission Calculations.
* All SDR rates are for Sep 8

CURRENCY MOVEMENTS

[illegible]

OTHER CURRENCIES

[illegible]

*Selling rate

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Sep.11	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.4415	+2.32	+1.12	±1.5424
Danish Krone	7.85212	8.06652	+2.73	+1.53	±1.6419
German D-Mark	2.05853	2.07717	+0.91	-0.29	±1.1019
French Franc	6.90403	6.99756	+1.35	+0.15	±1.3719
Dutch Guilder	2.31943	2.34079	+0.92	-0.28	±1.5019
Irish Punt	0.768411	0.778250	+1.28	+0.08	±1.6689
Italian Lira	1483.58	1488.53	+0.33	-0.27	±4.0815
Spanish Peseta	133.804	129.517	-3.20	-	-

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT- FORWARD AGAINST THE POUND

Sep.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5340-1.5460	1.5450-1.5460	0.64-0.61cpm	4.85	1.86-1.82pm	4.76
Canada	1.8265-1.8375	1.8330-1.8340	0.29-0.20cpm	1.60	0.78-0.65pm	1.56
Netherlands	3.45¼-3.46¼	3.45½-3.46½	1⅞-1¾cpm	6.29	5⅛-5¼pm	6.07
Belgium	64.10-64.45	64.25-64.35	31-27cpm	5.41	86-81pm	5.19
Denmark	11.90¾-11.95	11.93½-11.94½	4¾-4⅜orepm	4.59	12⅞-12¼pm	4.19
Ireland	1.1460-1.1520	1.1500-1.1510	0.40-0.35cpm	3.91	1.10-1.00pm	3.65
W. Germany	3.06½-3.07½	3.06½-3.07½	1⅝-1½pfpm	6.11	4⅞-4¾pm	6.27
Portugal	255.80-257.20	256.15-257.15	24-6cpm	0.70	12-29dis	-0.32
Spain	190.95-192.10	191.40-191.70	14-22cdis	-1.13	26-42dis	-0.71
Italy	2197½-2206	2200¾-2201¼	5-3lirepm	2.18	10-8pm	1.64
Norway	11.14½-11.18½	11.17¼-11.18¼	2⅞-2⅜orepm	2.82	8⅛-7⅝pm	2.91
France	10.33-10.37	10.33¼-10.34¼	4⅛-4cpm	4.71	11⅞-11⅝pm	4.54
Sweden	10.32-10.35	10.33¼-10.34¼	1⅞-1⅝orepm	2.10	5⅝-5¼pm	2.10
Japan	226¾-227¾	226½-227½	1⅝-1½ypm	8.26	4½-4¼pm	7.82
Austria	21.59-21.68	21.59-21.62	12⅝-11⅝gropm	6.73	35¾-33pm	6.36
Switzerland	2.64½-2.65½	2.64½-2.65½	1⅜-1¼cpm	5.94	4⅛-4pm	6.13
ECU	1.4745-1.4760	1.4750-1.4760	0.54-0.51cpm	4.27	1.47-1.42pm	3.92

Commercial rates taken towards the end of London trading. Belgian rate is convertible francs. Financial franc 64.40-64.50 Six-month forward dollar 3.63-3.58cpm 12 months 6.55-6.45pm.

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Sep.11	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5340-1.5460	1.5450-1.5460	0.64-0.61cpm	4.85	1.86-1.82pm	4.76
Ireland†	1.3350-1.3420	1.3410-1.3420	0.11-0.06cpm	0.76	0.42-0.32pm	1.11
Canada	1.1855-1.1890	1.1870-1.1880	0.31-0.34cdis	-3.29	0.94-0.99dis	-3.25
Netherlands	2.2375-2.2535	2.2375-2.2385	0.26-0.24cpm	1.34	0.74-0.70pm	1.28
Belgium	41.55-41.80	41.55-41.65	2.50-1.00cpm	0.50	6.00-3.50pm	0.46
Denmark	7.71¾-7.76¾	7.72¼-7.72¾	0.15-0.40oredis	-0.43	0.95-1.35dis	-0.59
W. Germany	1.9855-2.0000	1.9865-1.9875	0.30-0.28pfpm	1.75	0.79-0.75pm	1.54
Portugal	165.95-166.55	165.95-166.05	53-63cdis	-4.18	195-220dis	-4.99
Spain	123.85-124.60	123.90-124.00	58-68cdis	-6.08	167-177dis	-5.54
Italy	1423-1432	1423½-1424½	2.80-3.50liredis	-2.65	10.50-11.50dis	-3.09
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switzerland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ECU	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Commercial rates taken towards the end of London trading. † UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc [illegible]

EURO-CURRENCY INTEREST RATES

[illegible]

EXCHANGE CROSS RATES

[illegible]

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Prices fall back on rate fears

STERLING FUTURES crept up from a slightly weaker start in yesterday's Liffe market, and reached the day's highs before slipping away to finish near to the lowest level of the day. Values were marked up from a slightly softer opening on news of a slightly encouraging set of economic figures on UK retails sales and output prices. A steadier pound also added to the slightly more bullish tone.

However, the firmer levels quickly evaporated after comments by Mrs Margaret Thatcher, the Prime Minister, repeating the Government's determination to keep rates as high as is necessary to bear down on inflation. The assertion was hardly new; in fact some analysts expressed surprise that the market had reacted the way it did. But in the absence of anything else to draw the market's attention, Mrs Thatcher's remarks acted as a timely reminder to the market that cash rates are unlikely to fall in the near term.

Against this background, the December short sterling contract fell to 86.38 at the close, down from a high of 89.44 although still just one tick firmer than Friday's close of 86.37. Trading volume reflected the lack of direction or speculative interest.

LIFFE LONG GILT FUTURES OPTIONS
£50,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
91	3-58	4-53	0-10	0-17
92	3-02	4-00	0-18	0-28
93	2-15	3-15	0-31	0-43
94	1-35	2-36	0-51	1-00
95	1-01	1-62	1-17	1-26
96	0-40	1-30	1-56	1-58
97	0-25	1-04	2-41	2-32

Estimated volume total, Calls 1057 Puts 635
Previous day's open int. [illegible]

LIFFE US TREASURY BOND FUTURES OPTIONS
$100,000 64ths of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
94	3-39	4-39	0-27	1-15
95	3-08	3-60	0-40	1-36
96	2-27	3-22	0-59	1-62
97	1-52	2-51	1-20	2-27
98	1-20	2-21	1-32	2-61
99	0-60	1-58	2-28	3-34
100	0-42	1-35	3-10	4-11

Estimated volume total, Calls 50 Puts 100
Previous day's open int. [illegible]

LIFFE BUND FUTURES OPTIONS
DM250,000 points of 100%

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
9250	1.52	1.80	0.15	0.44
9300	1.13	1.46	0.26	0.60
9350	0.82	1.17	0.45	0.81
9400	0.54	0.91	0.67	1.05
9450	0.34	0.69	0.97	1.33
9520	0.20	0.52	1.33	1.66
9550	0.11	0.38	1.74	2.02

Estimated volume total, Calls 1475 Puts 1480
Previous day's open int. [illegible]

LIFFE E/$ OPTIONS

[illegible]

LIFFE EURODOLLAR OPTIONS

[illegible]

LIFFE SHORT STERLING OPTIONS

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PHILADELPHIA SE £/$ OPTIONS
£31,250 (cents per £1)

Strike Price	Calls				Puts			
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
1.525	1.98	3.02	3.57	4.05	0.46	2.07	3.00	4.06
1.550	0.60	1.91	2.41	2.93	1.50	3.29	4.38	5.48
1.575	0.15	1.10	1.65	2.05	3.45	4.97	6.02	6.91
1.600	0.05	0.57	1.04	1.48	5.80	6.93	7.88	8.70
1.625	0.01	0.18	0.60	0.98	8.25	9.10	9.93	10.65
1.650	0.00	0.09	0.32	0.62	10.74	11.41	12.12	12.73

Previous day's open int: Calls 443,828 · Puts 403,884 (All currencies)
Previous day's volume: Calls 15,961 Puts 15,459 (All currencies)

BASE LENDING RATES

	%		%		%
ABN Bank	14	City Merchants Bank	14	Mount Banking	14
Adam & Company	14	Clydesdale Bank	14	Nat Bk. of Kuwait	14
Allied Trust Bank	14	Comm. Bk. N. East	14	NatWestminster	14
Allied Irish Bank	14	Co-operative Bank	*14	Northern Bank Ltd	14
● Henry Ansbacher	14	Coutts & Co	14	Norwich Gen. Trust	14
Associates Cap Corp	14	Cyprus Popular Bk	14	PRIVATbanken Limited	14
Authority Bank	14	Dunbar Bank PLC	14	Provincial Bank PLC	15
● B & C Merchant Bank	14	Duncan Lawrie	14	R. Raphael & Sons	14
Bank of Baroda	14	Equatorial Bank plc	14	Roxburghe G'rantee	14½
Banco Bilbao Vizcaya	14	Exeter Trust Ltd	14½	Royal Bk of Scotland	14
Bank Hapoalim	14	Financial & Gen. Bank	14	Royal Trust Bank	14
Bank Credit & Comm	14	First National Bank Plc.	15	● Smith & Williamson Secs.	14
Bank of Cyprus	14	● Robert Fleming & Co.	14	Standard Chartered	14
Bank of Ireland	14	Robert Fraser & Ptnrs.	14½	TSB	14
Bank of India	14	Girobank	14	United Bk of Kuwait	14
Bank of Scotland	14	● Guinness Mahon	14	United Mizrahi Bank	14
Banque Belge Ltd	14	HFC Bank plc	14	Unity Trust Bank Plc	14
Barclays Bank	14	● Hambros Bank	14	Western Trust	14
Benchmark Bank PLC	14	Hampshire Trust Plc	14½	Westpac Bank Corp.	14
Brit Bk of Mid East	14	Heritable & Gen Inv Bnk.	14	Whiteaway Laidlaw	14
● Brown Shipley	14	● Hill Samuel	§14	Yorkshire Bank	14
Business Mtge Tst	14½	C. Hoare & Co.	14		
CL Bank Nederland	14	Hongkong & Shangh	14		
● Charterhouse Bank	14	● Leopold Joseph & Sons	14		
Citibank NA	14	Lloyds Bank	14		
		McDonnell Douglas Bnk	14		
		Meghraj Bank Ltd	14		
		Midland Bank	14		

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EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 49,048
A=Ask B=Bid C=Call P=Put

MONEY MARKETS

No change in rates

INTEREST RATES were barely changed in London yesterday; the three-month interbank rate was unchanged at 14-13⅞ per cent. Data on UK retail sales and output prices for August failed to have any real effect. Longer term rates were also steady, with the one-year interbank rate quoted at 13⅞-13¾ per cent from 13⅞-13¾ per cent.

The Bank of England forecast a shortage of around £200m. Factors affecting the market included bills maturing in official hands and a take-up of Treasury bills, together with repayment of any late assistance draining £724m. In addition, banks brought forward balances £40m below target. These were partly offset by Exchequer transactions which added £60m and a fall in the note circulation of £500m. There was no assistance by the Bank during the morning or afternoon. Late help came to £135m.

UK clearing bank base lending rate
14 per cent
from May 24

In Paris, the Bank of France left its money market intervention rate unchanged at 8.75 per cent at yesterday's sale and repurchase agreement when adding fresh liquidity to the banking system. The Bank accepted bids of FFr83.2bn against a maturing agreement of FFr69.9bn. Recent upward pressure on French interest rates has dissipated since the decision by the West German Bundesbank *not to increase its* lending rates for the time being. Meanwhile, the average rate of discount on French 13-week Treasury bills rose slightly to 8.62 per cent from 8.57 per cent at the latest Treasury bill tender.

Interest rates in Frankfurt were confined to a relatively narrow range. Commercial banks are keen to hang on to short-term deposits ahead of expected corporate tax payments. Until these start to cause a drain, call money is expected to remain steady.

In New York, the US Federal Reserve refrained from intervening in money markets, much in line with expectations. Overnight Federal funds were quoted at 8⅞ per cent, in line with the perceived Fed target of 9 per cent. US Treasury bills opened in New York on a much stronger basis, encouraged by the possibility of slightly easier monetary conditions being adopted by the US authorities. Prices were also buoyed by the prospect of fresh funds becoming available for re-investment in bonds.

FT LONDON INTERBANK FIXING

[illegible]

MONEY RATES

[illegible]

LONDON MONEY RATES

[illegible]

COMPANY NOTICES

HARMONY GOLD MINING COMPANY LIMITED
(Incorporated in the Republic of South Africa)
Company Registration No. 05/38232/06

RAND MINES

Passing of Dividend

The Board of Directors has decided not to declare an interim dividend for the year ending 30th June 1990.

Registered office
19th Floor
The Corner House
63 Fox Street
Johannesburg 2001
(PO Box 62370,
Marshalltown 2107)

Secretaries in the United Kingdom
Viaduct Corporate Services Limited
40 Holborn Viaduct
London EC1P 1AJ

11 September 1989

APPOINTMENTS

MANAGER FINANCIAL FUTURES

A leading Kuwaiti investment company is seeking a Manager for its newly established financial services unit which will provide full brokerage and portfolio management services for retail customers both the cash and commodities markets on a global basis out of its headquarters in Kuwait.

The candidate is expected to be a Senior Account Executive with a minimum of 5 years experience in the retail brokerage of securities and commodities and an excellent knowledge of the operational side of the business.

An attractive compensation package will be offered based on qualification and experience.

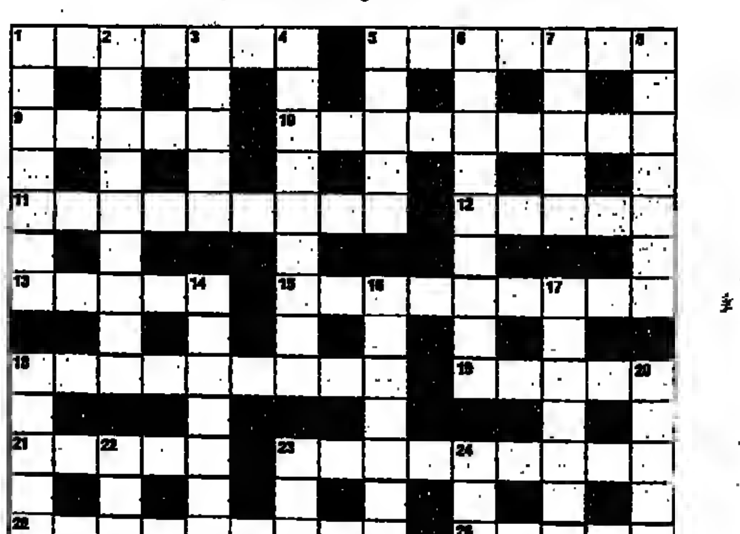
To apply, please send a detailed C.V. and salary history to:

The Personnel Manager
P.O. Box 2544 Safat,
13026 Safat, Kuwait

JOTTER PAD

CROSSWORD

No.7,036 Set by FETTLER



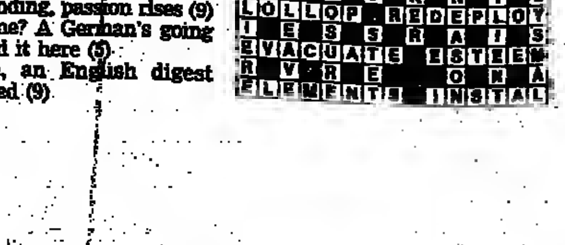
ACROSS

1 Payout, no capital withheld, is shared (7)
5 Grapple with one swindle in another (7)
9 This element was created; there's nothing in it (5)
10 Producing a snare set in Finnea? To the contrary! (9)
11 See assistant questioning a gruff answer (9)
12 Here are a couple of novices in Austria (5)
13 Meaning to rest on one's oars (5)
15 Segregation? An odd idea about a questionable path, right? (9)
18 Astronomers' measure in flighty earth-light (5-4)
19 Imagine having a tipple about early evening (5)
21 Batting with help, backing a test side (5)
22 One woolly-coated; the same, we hear, with or without reserve (9)
25 Publication about football shows knowledge (9)
26 One feature of the River Oder is to wear away (5)
27 Scratch at an ass, rudely (7)
28 Journal swapping articles is causing confusion (7)

DOWN

1 Lowly scholars in action (7)
2 Checking's needed when, in contending, passion rises (9)
3 Caffeine? A German's going to find it here (5)
4 Name, an English digest adopted (9)
5 First son claimed right to get a dog (5)
6 Less bad nothing, thanks to lad being marked (9)
7 Quiet river's river that's cleaner (5)
8 Learner driver, caught out, is somewhat narked (7)
14 Bird has a share in a chemical process (9)
16 Accused arrived, having gathered, slightly awry (9)
17 See conductor choose "Rodeo" not "The Ring" (9)
18 Lingers in languid Estoril (7)
20 Such as St Michael's — one returning from money-grubbing (7)
22 A good defence, having no regard for apprehension (5)
23 Waterfalls, harnessed, ought to be a source of generation (5)
24 Build straight up (5)

Solution to Puzzle No.7,035



WORLD STOCK MARKETS

CANADA

TORONTO
2pm prices September 11

Quotations in cents unless marked $.

INDICES

NEW YORK — DOW JONES

	Sep 8	Sep 7	Sep 6	Sep 5	1989 High	1989 Low	Since compilation High	Since compilation Low
♦Industrials	2709.54	2706.88	2719.79	2744.68	2752.09 (1/9)	2144.64 (3/1)	2752.09 (1/9/89)	41.22 (2/7/32)
Home Bonds	93.06	92.99	93.13	93.13	94.15 (2/8)	87.35 (23/3)	–	–
Transport	1473.68	1480.97	1508.71	1532.01	1532.01 (5/9)	959.95 (3/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	215.98	214.66	214.91	217.24	221.64 (8/8)	181.84 (24/2)	227.83 (22/1/87)	10.50 (8/4/32)

♦Day's High 2728.72 (2748.10) Low 2679.33 (2692.06)

STANDARD AND POOR'S	Sep 8	Sep 7	Sep 6	Sep 5	1989 High	1989 Low	Since compilation High	Since compilation Low
Composite ‡	348.76	348.35	349.24	352.56	353.73 (1/9)	275.31 (3/1)	353.73 (1/9/89)	4.40 (1/6/32)
Industrials (Latest)	399.47	399.21	400.16	404.10	405.27 (1/9)	318.66 (3/1)	405.27 (1/9/89)	3.62 (21/6/32)
Financial	33.30	33.12	33.14	33.32	33.59 (7/8)	24.30 (3/1)	33.59 (7/8/89)	8.64 (1/10/74)
NYSE Composite	193.95	193.78	194.12	195.84	196.37 (1/9)	154.98 (3/1)	196.37 (1/9/89)	4.46 (25/4/42)
Amex Mkt. Value	384.10	383.19	382.87	384.53	384.53 (5/9)	305.24 (3/1)	383.96 (1/9/89)	29.31 (9/12/72)
NASDAQ Composite	471.31	469.68	469.25	471.42	471.42 (5/9)	378.56 (3/1)	471.34 (1/9/89)	54.87 (31/10/72)

	Aug 25	Aug 18	Aug 11	year ago (approx.)
Dow Industrial Div. Yield	3.39	3.44	3.43	3.80

	Sept 6	Aug 30	Aug 23	year ago (approx.)
S & P Industrial div. yield	2.86	2.83	2.88	3.30
S & P Indl. P/E ratio	14.61	14.67	14.40	13.57

TRADING ACTIVITY

† Volume Millions	Sep 8	Sep 7	Sep 6
New York	152.413	158.097	163.329
Amex	12.302	12.686	11.728
OTC	(u)	133.997	136.432

NEW YORK	Sep 8	Sep 7	Sep 6
Issues Traded	1,964	1,975	1,961
Rises	734	705	414
Falls	662	701	1,085
Unchanged	568	569	462
New Highs	59	72	45
New Lows	16	20	25

CANADA

TORONTO	Sep 8	Sep 7	Sep 6	Sep 5	1989 High	1989 Low
Metals & Minerals	3791.2	3807.8	3815.1	3860.5	3919.2 (1/9)	3207.5 (3/1)
Composite	3962.5	3963.3	3971.3	3998.8	4019.7 (10/8)	3350.5 (6/1)
MONTREAL Portfolio	2027.46	2026.11	2031.17	2046.37	2053.80 (1/9)	1677.48 (3/1)

NEW YORK ACTIVE STOCKS

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (u) Unavailable.

	Sep. 11	Sep. 8	Sep. 7	Sep. 6	1989 High	1989 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1756.5	1758.2	1751.1	1776.7	1781.8 (29/8)	1412.9 (7/4)
All Mining (1/1/80)	867.6	868.9	856.2	875.1	875.1 (29/8)	652.6 (7/4)
AUSTRIA						
Credit Aktien (30/12/84)	440.76	439.39	439.06	437.37	440.76 (11/9)	219.5 (2/1)
BELGIUM						
Brussels SE (1/1/80)	6598.34	6597.41	6610.22	6623.77	6623.77 (6/9)	5519.30 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	332.02	331.13	330.32	331.19	356.65 (12/7)	275.49 (27/2)
FINLAND						
Unitas General (1975)	753.7	759.3	752.8	744.2	815.8 (18/4)	723.3 (4/1)
FRANCE						
CAC General (31/12/82)	540.9	540.5	533.5	534.8	540.9 (11/9)	417.9 (4/1)
Ind. Tendance (30/12/88)	125.2	125.9	125.8	125.9	125.9 (6/9)	97.5 (27/2)
GERMANY						
FAZ Aktien (31/12/58)	681.08	685.92	679.37	679.75	685.92 (8/9)	535.78 (27/2)
Commerzbank (1/12/53)	2036.0	2052.1	2033.6	2034.8	2052.1 (8/9)	1595.7 (27/2)
DAX (30/12/87)	1641.93	1657.61	1641.19	1633.55	1657.61 (8/9)	1271.70 (23/2)
HONG KONG						
Hang Seng Bank (31/7/64)	2614.60	2620.63	2583.16	2577.62	3309.64 (15/5)	2093.61 (5/6)
ITALY						
Banca Com. Ital. (1972)	715.86	711.26	715.01	725.67	734.84 (31/8)	577.49 (28/2)
JAPAN						
Nikkei (16/5/49)	34113.66	34115.81	34152.56	34271.3	35140.83 (21/8)	30183.79 (5/1)
Tokyo SE (Topix) (4/1/68)	2578.76	2583.12	2593.39	2602.70	2659.08 (21/8)	2366.91 (6/1)
NETHERLANDS						
CBS Ttl. Rtn. Gen. (End 1983)	270.2	271.6	270.4	266.7	271.6 (8/9)	208.3 (3/1)
CBS All Shr (End 1983)	209.4	210.5	209.5	206.7	210.5 (8/9)	166.7 (1/3)
NORWAY						
Oslo SE (2/1/83)	676.06	681.96	676.54	674.30	681.96 (8/9)	467.17 (2/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1414.30	1419.69	1406.63	1396.68	1419.69 (8/9)	1030.69 (4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1551.0‡	1570.0	1558.0	1549.0	1685.0 (3/8)	1291.0 (15/2)
JSE Industrial (28/9/78)	2752.0‡	2769.0	2783.0	2778.0	2838.0 (25/8)	1961.0 (3/1)
SPAIN						
Madrid SE (30/12/85)	328.22	327.52	324.76	324.57	328.22 (11/9)	268.61 (1/3)
SWEDEN						
Jacobson & P. (31/12/56)	4464.9	4509.9	4469.1	4480.4	4660.3 (16/8)	3333.9 (3/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	(c)	827.9	828.5	829.1	829.1 (6/9)	613.1 (3/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	528.4	527.2	530.2	551.2 (3/8)	487.6 (13/6)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia. All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks
Monday September 11 1989

3pm prices September 11

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
38¼	21¾	AAR	.44	1.3	22	336	35¼	34¾	34¾	– ¼
10	8½	ACM n	1.01	11.		319	9¼	9	9	– ⅛
11⅞	10¼	ACMIn	1.26a	11.		z388	11½	11¼	11⅜	
10⅜	8½	ACM M	n1.01	11.		234	9⅛	9	9⅛	+ ⅛
11½	10	ACM Sc	1.26	11.		511	11⅛	11	11	
9¼	8¾	ACMSp	1.01	11.		432	9¼	9	9	
18	11⅜	AL Lab	.12		7 16	42	18⅝	18½	18⅝	– ⅛
4⅛	3¼	AMCA	.13e	3.2	25	5	3⅞	3⅞	3⅞	
8¼	4½	AM Intl				220	5⅜	5¼	5¼	– ⅛
27½	20⅝	AM In pf	2	9.1		4	22	22	22	– ¼
98	45	AMR			9	9855	83¼	81¼	83	+2
24⅞	23¼	ANR pf	2.12	8.8		3	24	24	24	– ¼
7⅞	3⅞	ARX				29	4	3⅞	3⅞	– ⅛
44⅞	35½	ASA	3a	7.1		210	42⅝	42¼	42⅜	– ⅛
22⅞	15⅛	AVX	.24	1.2	9	35	20⅛	20	20	– ⅛
66	44¼	AbtLab	1.42	2.2	17	1522	62⅞	62	62⅞	– ½
18¼	13¼	AbitibI g	1			5	15	14⅞	14⅞	– ⅛
13	7⅞	AcmeC	.40	3.8		82	11⅛	10⅞	10⅞	– ⅝
9¼	5⅝	AcmeE	.32	3.4	11	19	9½	9⅜	9⅜	– ⅛
34⅞	20¼	Acuson			24	133	33⅞	33½	33½	– ⅜
17	14¼	AdaEx	1.82e	11		66	15⅞	15⅜	15⅝	
12⅞	8½	Adobe				139	12	11⅝	11⅝	– ⅛
19⅞	18½	Adob pf	1.84	9.6		6	19¼	19¼	19¼	
21⅞	19⅞	Adob pf	2.40	11.		9	21⅛	21⅛	21⅛	
17¼	7⅛	AMD				1514	8½	8¼	8¼	– ⅛
35	28⅝	AMD pf	3	9.7		12	31	30⅞	31	
10⅛	6⅞	Advest	.12	1.3	16	141	9	8⅞	9	+ ⅛
20⅞	40	AetnLf	2.76	4.8	9	988	57	56½	56⅞	– ⅛
14	12⅛	AflPb				940	12½	13¼	13⅜	– ⅛
23¼	16¼	Ahmans	.88	3.8	11	1687	23⅛	23¼	23⅛	+ ⅛
4⅛	2⅞	Aileen				261	3⅛	3⅛	2⅞	– ⅛
48⅞	37¼	AirPrd	1.32	2.8	12	640	48⅝	48⅜	48⅛	– ⅛
37⅛	17	AirbFrt	.60	1.7	23	134	36¼	35⅞	36¼	– ½

Continued on Page 49

NYSE COMPOSITE PRICES

Continued from previous Page

– X-Y-Z –

12 Month High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
68	53⅝	Xerox	3	4.5	13	1631	66⅞	65⅛	65¾	– ⅛
48	43⅛	Xerox pf				6	44½	44½	44½	
49¾	44½	Xerox pf4.13		8.6		1	48¾	48¾	48¾	
44¼	28⅝	XTRA	.72	2.3	6	127	31¼	31	31	– ⅛
33	24½	XTRA pf1.94		7.6		4	26	25½	25½	
4¼	2	Zapata				153	2⅝	2½	2½	
22¼	14⅞	ZenithE				770	15¾	15½	15⅝	
10⅝	6⅞	ZenInc	1.26	14.		231	9	8¾	8⅞	– ⅛
2⅝	1⅛	vjZenLb				185	1⅛	1⅛	1⅛	– ⅛
21½	15	ZenNtl	.84	4.3	9	72	19¾	19¼	19¾	+ ½
18½	11¾	Zero s	.40	2.2	17	452	18¼	18	18¼	+ ¼
44¼	23⅝	Zurnin	.68	1.8	19	s139	39⅛	38⅝	38¾	– ¼
12	10	Zweig	1.03e	9.3		129	11⅛	11⅛	11⅛	+ ⅛
10⅝	8¾	Zweig x	.96	10.		659	9⅛	9⅛	9⅛	

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

3pm prices September 11

OVER-THE-COUNTER

Nasdaq national market, 3pm prices September 11

AMERICA

Dow dips as traders await rash of statistics

Wall Street

AFTER its consolidation on Friday, the equity market turned lower yesterday with selling exaggerated by stock index arbitrage in an otherwise dull morning session, *writes Janet Bush in New York.*

At 2 pm the Dow Jones Industrial Average was quoted 22.80 points lower at 2,686.74 on sluggish volume of 89m shares.

The market remains cautious after last week's string of losses on Tuesday, Wednesday and Thursday. Friday's gain of 2.66 points was a reassuring performance, suggesting that there is still a good underlying tone to the market, but investors and traders are likely to take a defensive position ahead of a clutch of economic data due for release on Thursday and Friday.

Programme trading normally picks up quite significantly in weeks with a triple witching hour when stock index futures and options expire simultaneously on a Friday.

Retail sales for August are due on Thursday, and are expected to have risen by around 1 per cent, boosted by strong car sales. On Friday, the July merchandise trade balance is due with forecasts of a deficit of around $8bn. August industrial production is expected to show a small gain and capacity usage is forecast to be unchanged at 83.6 per cent.

The August producer prices index, also on Friday, is expected to have fallen by perhaps 0.2 per cent following the 0.4 per cent decline in July. Also released on Friday are business inventories for July.

Taken together, these economic releases should confirm that the economy continues to decelerate mildly and that inflation pressures are relatively subdued. There is little expectation that the figures will prompt any change of monetary policy which is clearly on hold.

There is no clear consensus on what the next move in interest rates will be with two almost equal camps arguing the complete opposite.

One believes that the economy is slowing quite significantly and that the US Federal Reserve will ease interest rates again while the other believes that the economy is experiencing a "soft takeoff" with a slight re-acceleration which should prompt a slight tightening in monetary policy.

UAL fell $2¼ to $277¼. The decline came after news that Mr Marvin Davis, the California investor who has bid $275 a share for United Airlines, has agreed conditionally not to make any hostile moves for one year in exchange for access to the company's confidential financial data.

AMR, the parent company of American Airlines, rose $1⅞ to $82⅞ on a US press report that Mr Donald Trump, the New York real estate developer, had acquired a stake in AMR and may seek federal clearance to buy more stock.

BellSouth added $⅛ to $51 on news that it is merging its cellular telephone operations with LIN Broadcasting. LIN, which jumped $2⅞ to $108⅞ in over-the-counter trading, will spin off its television stations and pay a $20 a share special dividend to shareholders.

Universal Foods dropped $⅞ to $33⅞ after High Voltage Engineering ended its offer worth $38 a share and a proposal for a sweetened bid worth $42 a share, citing problems with Wisconsin statutes.

Dunkin' Donuts jumped $4 to $45 on the over-the-counter market. The company rejected a $45 a share offer from a group of investors and said it would explore possible alternatives including takeover by a third party.

Canada

SELLING pressure pushed Toronto stocks down further by mid-session with metal stocks leading the retreat following a jump in inventories of metal reported in London.

The composite index fell 27.1 to 3,935.4, with declines leading advances 324 to 162. Volume was 15.2m shares.

Campeau fell C$1⅛ to C$17⅞ as investors continued to react to the company's forced sale plans for its department store chain Bloomingdale's, required to help pay its $9.5bn of debt.

Connaught BioSciences rose C$4⅞ to $30⅞ on news that Ciba-Geigy, the Swiss pharmaceuticals group, and Chiron, the US biotech group, had made a joint bid for the company.

EUROPE

Frankfurt and Amsterdam take a fall on the see-saw

LAST WEEK'S winners showed the biggest declines yesterday for reasons which appeared to be technical as well as fundamental, *writes Our Markets Staff.*

FRANKFURT fell, the DAX index losing nearly as much as it gained last Friday, with a drop of 15.68 to 1,641.93. Volume eased from DM6.2bn to DM4.9bn. The FAZ index fell 4.84 to 681.08.

Some commentators blamed the strong dollar and interest rate prospects once more, saying that banking shares themselves were lower yesterday; they also picked on the apparent disappointment with Daimler's first half profits, and the knock-on effect on other blue chip stocks.

Others took a more pragmatic view, essentially that traders wanted the market to be lower and that blue chips were the easiest to sell. That, they argued, was why Deutsche Bank fell DM10.50 to DM675.

As for Daimler's knock-on effect, they said, Daimler had not been expected to produce good results. What did characterise the day was a great lack of buyers, not a lot of sellers, and the suspicion that traders were selling positions in case Wall Street continued to decline, and the fraternity could get back in, lower down.

Daimler closed DM12.50 lower at DM537.50. Out of the front line, motor industry shares still showed some excitement over this week's Frankfurt international motor show, with BMW up DM6.80 to DM639.80 and Porsche DM10 higher at DM837.

AMSTERDAM came off quite sharply after last week's 3 per cent gain and turnover dropped as investors took a breather. "Things were a bit overdone last week," commented one salesman.

Another weak start on Wall Street also undermined the market, and the CBS tendency index closed 1.1 lower at 195.7 in volume worth Fl 626m, well down on last week's levels.

Trading was halted for two hours in the morning, further dampening the mood, because of a telephone fault affecting jobbers at the exchange.

Hoogovens, the steel stock, suffered from press reports on a flat outlook for the steel market this year, and it fell Fl 3.60 to Fl 95 in active turnover. Philips, which enjoyed a powerful rally last week on buy recommendations and foreign interest, came off 90 cents to Fl 48.60.

PARIS weakened slightly as investors found themselves lacking direction now that the Suez takeover bid for Groupe Victoire has been won. "The market's in need of another significant piece of news to start fuelling interest again," commented an analyst, who added that foreigners were well-disposed towards France but were mostly already as amply invested as they wanted to be.

Volume, which was pushed to a huge FFr4.3bn on Friday by heavy turnover in Victoire and Suez, was lower yesterday – estimated at FFr2.5bn to FFr3bn.

Peugeot fell FFr30 to FFr929 amid concern over the prolonged strike at its Mulhouse plant and nascent unrest at Sochaux, where the new 605 model is produced.

Total ordinary shares rose FFr5 to FFr520 and the certificates jumped FFr4.50 to FFr103.50 amid expectations that Mr Serge Tchuruk, president of Orkem, the state-owned chemicals group, would take over as head of Total next year.

The OMF 50 index shed 2.86 to 530.47, while the CAC General index, based on opening prices, reached a new high of 540.9, up 0.4 from Friday.

MILAN pushed higher, reversing three consecutive declines. Trading was said to be thin, with investors absent from the market before monthly trading account deadlines today and on Thursday.

The Comit index rose 4.60 to 715.86. Banking stocks, which revived last Friday, staged another comeback from the Banca Nazionale del Lavoro scandal. The Milan industrial finance bank, Mediobanca, led the way, with a L165 rise to L27,995, Banca Commerciale Italiana adding L65 to L5,295 and Credito Italiano L126 to L2,876.

The initial offering of 850m shares of Enimont, the chemical company, closed early and oversubscribed; the L1,420 offer price is regarded as reasonable and a premium is expected.

VIENNA reached another record in active trading, with the bourse index rising 1.28 to 465.86 and the session extended by 30 minutes. There was selective profit-taking, but Montana, the holding company, rose Sch400 to Sch68,400. Steyr-Daimler Puch, the vehicles manufacturer, eased Sch3 to Sch155 amid persistent rumours of talks with MAN of West Germany.

BRUSSELS was dull apart from strong demand for Société Générale de Belgique, which gained BFr45 to BFr3,655 on 52,200 shares traded following recent recommendations.

THE Madrid bourse hit an all-time high yesterday, fuelled by a two-week rally in electrical utility stocks, before profit-taking trimmed some gains, *writes Elena Flor.*

The general index breached the previous peak of 328.36 reached on October 6, 1987, to hit 328.43 before easing slightly to end at 328.22, up 0.7. The electrical utilities, which have a weighting of 13.61 per cent in the index, remained mostly firm.

Even if profit-taking undermined some gains yesterday, especially in industrials, analysts consider the market to be well-supported with a big rise in volume to $148m on Friday.

Mr Pedro Taberna of brokers Beta Capital said Madrid was cheaper that other European markets – it has risen only 16.5 per cent this year compared with a rise of 28 per cent in the FT-Actuaries Europe index.

Interim corporate results have been higher than expected with rises of 21 per cent on average. The Spanish Big Bang reforms and the announcement of early general elections have been well received by both foreign and domestic investors. The Socialists are expected to retain their parliamentary majority and to introduce a tighter fiscal policy which, in the medium term, is interpreted by analysts as heralding a fall in interest rates.

ASIA PACIFIC

Yen and bond weakness draw Nikkei down

Tokyo

FURTHER yen weakness and lower bond prices produced a mood of caution that led the Nikkei average down for the fifth consecutive session, *writes Michiyo Nakamoto in Tokyo.*

While there was little news to provide investors with buying incentives, the yen's continued fall provided enough reason to remain bearish on the market's prospects. During the day the yen dropped to a three-month low.

The Nikkei average began modestly higher but soon went slowly downhill to reach a day's low of 33,955.14. Arbitrage between the futures and cash markets supported the Nikkei just before the close and the index finished down 215 at 34,113.65. The day's high was at 34,165.17.

Falls outnumbered advances by 529 to 393 with 196 issues unchanged. Turnover was a paltry 420m shares against 791m on Friday. The Topix index of all listed shares declined 4.36 to 2,578.76, while in Loodon the ISE/Nikkei 50 index fell 2.41 to 2,001.1.

The weaker yen, which could aggravate inflationary pressures in Japan, and the Bank of Japan's policy of stemming inflation by keeping short-term interest rates relatively high, meant that investors were particularly wary of large capital issues that tend to be affected by higher interest rates. However, there has been a surge of interest in cheaper, smaller capitalised issues, particularly those with good earnings, so some analysts have been saying that the Nikkei average is not necessarily representative of the present market.

The political situation is by no means favourable either. The extraordinary parliamentary session to be convened in early October promises to be a trying experience for the ruling Liberal Democratic Party, which faces an opposition majority in the upper house for the first time in 30 years. A poll conducted by a leading economic daily has indicated that support for the LDP has dropped substantially among those who consider themselves to be middle class.

Electricals and other high-tech issues suffered as investors moved away from high-priced issues. Sony, which had recently benefited from moves to buy issues with good earnings, lost Y230 to Y8,220.

Against the trend to avoid large capital issues, steels saw a modest recovery as investors felt they had been oversold. Sumitomo Metal, second most active with 14.5m shares traded, rose Y1 to Y756, while Nippon Steel, next with 9.9m shares, advanced Y17 to Y784.

Housing issues were popular, with interest focusing on lower-priced stocks. Housing was seen as a sector little affected by interest rate and currency fluctuations. Investors also expect it to benefit from government policy, as opposition parties have agreed to take it up as an issue and as the US has been applying pressure on Japan to take steps towards solving the problem of sky-high land prices.

Shokusan Jutaku Sogo, the largest builder of luxury wooden houses, surged on the strength of its low price and a projected 63 per cent increase in profits for the year to March 1990. Shokusan closed up Y130 at Y1,320 in active trading.

Keisei Railways, the most actively traded stock with 16.6m shares, gained Y30 to Y2,970. Keisei has attracted interest on speculation that an affiliate might be listed.

Profit-taking led the OSE average in Osaka 165.56 points lower to close at 34,434.23. Volume sank to almost half of Friday's 99.5m shares, at 49.5m. Toyo Sash, a maker of housing materials, lost Y410 to Y7,150.

Roundup

THE difficulties at Bond Corp dominated proceedings in Australia and New Zealand, while other markets which had shown strong gains last week ended lower.

AUSTRALIA ended little changed amid nervousnese over the impact of Bond Corp's troubles on the wider market. The All Ordinaries index shed 1.7 to 1,756.5 in moderate turnover of 137m shares worth A$262m, with trading concentrated in larger stocks.

Bond Corp dropped to a low of 27 cents amid concern over its future, but recovered slightly to close 10 cents weaker at 30 cents.

Adsteam gained 12 cents to A$8.66 on expectations of strong results this week. Wesfarmers, the agricultural and chemical group, lost 30 cents to A$4.80 after last week's announcement of a rights issue.

NEW ZEALAND climbed sharply amid news that Lion Nathan had held talks with Bond Corp and could be going to purchase all or part of the group's Australian brewing interests. The Barclays index rose 50.13 to 2,423.53 and Lion Nathan 20 cents to NZ$4.50.

HONG KONG was disappointed by the latest government land auction and fell back after a 4.5 per cent rise last week. The Hang Seng index ended 6.03 weaker at 2,614.60 after earlier rising almost 30 points.

The auction of a site in Kowloon Bay opposite Hong Kong island produced lower prices than expected and reversed the market's initial trend. Volume remained high at HK$1.05bn, down slightly from Friday's HK$1.12bn.

Banks rose against the trend, with Hongkong Bank up 30 cents at HK$6.30 on persistent rumours that it may be on its way to a merger with Midland Bank of the UK.

SINGAPORE, another market which had risen by more than four per cent last week, also ran into profit-taking and the Straits Times industrial index lost 5.39 to 1,414.30. Turnover fell, too, reaching 89m shares from Friday's very active 121m.

TAIWAN dropped on news over the weekend that the authorities would gradually expand the daily price fluctuation limit for individual stocks in order to crack down on market manipulation. The weighted index fell 273.77 to 10,211.23 in active trading.

SOUTH AFRICA

GOLD stocks closed marginally lower in Johannesburg in very quiet trading. Platinums and industrials also showed an easier tone.

Europe and Pacific provide stars

By William Cochrane

WEAKNESS on Wall Street and in Tokyo took the World Index into decline for the second week running last week. However, there was consolation in Europe, and a strong showing in some of the Asia Pacific markets.

In Europe, good economic news gave West Germany a lift; and Amsterdam recorded a string of rises as investors anticipated, then celebrated the victory of the prime minister, Mr Ruud Lubbers, in last Wednesday's general election.

Italy, sporting the week's heaviest decline of 3.2 per cent, had an international scandal centred on the Banca Nazionale del Lavoro; it was also due for a correction, said observers, after the sustained enthusiasm of July and August.

Regional themes also appeared. Most of the Nordic markets declined; but in the Asia Pacific region, Hong Kong, Singapore and Malaysia all have their currencies linked to the US dollar, which is enhancing share price performance in sterling terms.

The Scandinavian trio, Norway, Sweden and Denmark, had shown such strength that they were increasingly exposed to technical corrections. Norway kept rising – before easing during yesterday's general election – in the belief that its high interest rates were coming down; but Sweden subsided after a half-yearly results season with good and bad surprises, and Denmark is considering the prospect of big equity issues, including that for the savings bank, SDS.

Singapore and Malaysia are seen as strong claimants to the investment and talent which is leeving Hong Kong under threat of hard-line Chinese Communist occupation.

Hong Kong itself has had a sad year, in local currency terms.

MARKETS IN PERSPECTIVE

	% change in local currency †				% change in sterling †
	1 Week	4 Weeks	1 Year	Start of 1989	Start of 1989
Austria	+3.01	+12.09	+83.74	+74.18	+82.59
Belgium	+1.35	+2.21	+22.68	+9.76	+15.70
Denmark	-1.08	+0.18	+66.31	+26.03	+31.47
Finland	-1.38	-1.36	+15.08	+7.48	+17.19
France	+1.88	+4.41	+51.59	+25.59	+33.45
West Germany	+2.78	+4.95	+38.24	+25.18	+31.03
Ireland	+0.30	-3.02	+23.88	+29.17	+35.31
Italy	-3.22	+0.71	+33.88	+17.22	+26.03
Netherlands	+2.91	+2.83	+33.87	+26.64	+32.88
Norway	+2.13	+8.88	+79.31	+47.36	+57.03
Spain	+0.30	+4.18	+14.35	+18.54	+25.06
Sweden	-0.84	-0.98	+63.20	+36.01	+46.02
Switzerland	+0.30	+1.04	+31.82	+30.72	+34.30
UK	+0.70	+3.78	+37.50	+32.94	+32.94
EUROPE	+0.93	+3.45	+37.59	+27.92	+31.72
Australia	+0.47	+1.97	+14.75	+19.17	+25.11
Hong Kong	+5.26	-0.26	+8.38	-1.15	+15.46
Japan	-1.08	-2.84	+21.28	+7.61	+7.44
Malaysia	+8.63	+4.33	+46.84	+38.77	+62.65
New Zealand	-0.85	+9.50	+25.31	+35.28	+48.85
Singapore	+3.29	+0.71	+35.11	+38.32	+58.61
Canada	-1.34	-0.76	+22.86	+18.39	+39.00
USA	-1.36	+1.56	+30.03	+25.36	+46.45
Mexico	+7.83	+16.20	+132.40	+114.37	+122.91
South Africa	-0.41	-0.25	+58.01	+39.19	+56.06
WORLD INDEX	-0.66	+0.10	+27.51	+17.68	+25.12

† Based on Sept. 8th 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by Tha Financial Times Limited, Goldman, Sachs & Co., and County NatWast/Wood Mackanzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY SEPTEMBER 8 1989						THURSDAY SEPTEMBER 7 1989			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Day's change % local currency	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1989 High	1989 Low	Year ago (approx)
Australia (85)	154.74	+1.1	148.15	134.16	+0.3	4.71	153.12	146.84	133.77	157.14	128.28	141.65
Austria (19)	149.95	+0.1	143.57	154.38	−0.1	1.57	149.81	143.67	154.57	150.67	92.84	87.68
Belgium (63)	133.79	+0.4	128.10	136.59	−0.1	4.05	133.29	127.82	136.74	137.97	125.58	115.03
Canada (123)	149.38	−0.5	143.02	128.45	−0.2	3.14	150.07	143.91	128.68	153.59	124.67	116.48
Denmark (36)	191.75	+0.8	183.59	200.36	+0.5	1.57	190.23	182.42	199.41	219.89	165.35	125.50
Finland (26)	131.28	+1.3	125.70	122.88	+0.9	2.23	129.57	124.26	121.80	159.16	125.81	118.14
France (126)	131.21	+0.2	125.62	137.28	+0.0	2.75	130.92	125.55	137.29	133.44	112.57	91.75
West Germany (98)	98.65	+1.1	94.45	101.55	+0.9	2.01	97.56	93.56	100.88	100.53	79.56	76.38
Hong Kong (48)	110.51	+1.8	105.81	110.78	+1.8	5.01	108.55	104.10	108.83	140.33	86.41	101.96
Ireland (17)	152.63	+1.1	148.13	159.42	+0.8	2.78	150.97	144.78	158.48	166.69	125.00	132.39
Italy (97)	91.84	−0.3	87.93	97.33	−0.5	2.31	92.08	88.31	97.88	96.73	74.97	70.34
Japan (455)	176.12	+0.0	168.63	162.82	−0.5	0.49	176.19	168.97	163.61	200.11	164.22	158.96
Malaysia (35)	199.79	+2.5	191.29	207.76	+2.4	2.34	194.91	188.92	202.91	199.79	143.35	138.87
Mexico (13)	308.79	+1.3	295.65	867.68	+1.5	0.58	304.87	292.36	854.46	308.79	153.32	149.38
Netherland (43)	127.83	+0.8	122.39	130.11	+0.5	4.01	126.84	121.64	129.48	130.67	110.63	102.06
New Zealand (20)	86.01	+2.3	82.35	77.08	+1.7	4.53	84.07	80.62	75.80	88.18	62.84	72.45
Norway (24)	185.74	+1.2	178.79	182.43	+0.9	1.42	184.48	176.91	180.85	198.39	139.92	108.83
Singapore (26)	169.94	+0.2	162.62	155.01	+0.2	1.80	169.52	162.57	154.68	170.62	124.57	122.32
South Africa (60)	156.08	−1.0	149.44	136.74	−0.2	4.12	157.59	151.13	136.97	157.59	115.35	109.27
Spain (43)	158.85	+0.4	152.09	148.44	−0.1	3.46	158.17	151.68	148.52	160.94	143.14	138.63
Sweden (35)	180.74	+1.3	173.05	178.34	+1.0	1.93	178.47	171.15	176.62	188.94	138.45	115.20
Switzerland (84)	89.76	+0.0	85.94	95.07	−0.2	1.98	89.72	86.04	95.25	94.16	67.81	74.48
United Kingdom (307)	153.99	+0.5	147.43	147.43	+0.8	3.89	153.25	146.96	146.96	158.41	133.28	122.73
USA (549)	141.88	+0.1	135.85	141.88	+0.1	3.28	141.77	135.95	141.77	143.84	112.13	109.11
Europe (968)	129.33	+0.5	123.82	128.60	+0.3	3.21	128.68	123.40	128.26	132.62	112.63	100.99
Nordic (121)	165.73	+1.1	158.88	160.50	+0.8	1.77	163.92	157.19	159.26	178.33	137.95	109.00
Pacific Basin (670)	172.95	+0.0	165.59	159.83	−0.4	0.73	172.88	165.79	160.47	194.72	160.44	155.99
Euro−Pacific (1668)	155.65	+0.2	149.02	147.18	−0.2	1.57	155.34	148.97	147.44	166.98	141.56	134.00
North America (672)	142.23	+0.0	136.18	141.04	+0.1	3.27	142.16	136.33	140.95	144.24	112.79	109.49
Europe Ex. UK (691)	113.66	+0.5	108.83	116.97	+0.2	2.62	113.07	108.43	116.70	116.28	96.30	87.37
Pacific Ex. Japan (215)	134.66	+1.3	128.93	122.02	+0.9	4.47	132.90	127.45	120.98	137.65	111.93	120.18
World Ex. US (1864)	155.53	+0.2	148.91	146.70	−0.2	1.65	155.27	148.90	148.95	166.35	141.49	133.18
World Ex. UK (2106)	149.18	+0.1	142.83	144.80	−0.1	2.01	149.03	142.91	144.98	155.66	136.98	123.91
World Ex. So. Af. (2353)	149.56	+0.1	143.19	145.07	−0.1	2.18	149.34	143.21	145.19	155.92	136.87	123.68
World Ex. Japan (1958)	137.39	+0.3	131.54	136.19	+0.2	3.31	137.04	131.42	135.96	138.29	114.51	108.94
The World Index (2413)	149.59	+0.1	143.23	145.01	−0.1	2.19	149.39	143.26	145.13	155.89	136.68	123.79

Latest prices were uneveilable for thie edition.
Spanish prices were not fully updated on September 8 due to problems at source.
Constituent changes 11/9/89: Deletion: Plessey (UK). The market capitalisation of Rolls-Royce (UK) has been increased to reflect the raising of the limit on foreign held ordinary share capital, from 15 to 29.5 per cent.